PT & Associates Community Development Consulting
875 East Broad Street, Columbus OH 43205 • 614/228-8303 Fax 614/228-8829

August 14, 1998

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, DC 20515

Dear Mr. President:

In response to our discussion with you and Congresswoman Maxine Waters at last week's Democratic dinner, enclosed is a conceptual plan for the creation of a Domestic Monetary Fund.

This concept is one that does not involve government funds but rather uses capital provided by American enterprises (for a return) to create and expand business in under-served communities.

The plan capitalizes on the strong economy by allowing thriving businesses to invest in their future by providing capital that will actually create future customers for their goods and services.

There is a myriad of profitable economic products operating in pockets of the country, and this fund will provide the capital to allow these products to be offered in an unlimited number of under-served communities.

The concept will require capable manpower to complete the administrative design and documentation of the operating plan, and your assistance in this area would be significant help.

On behalf of Congresswoman Waters and ourselves, we want to thank you in advance for your time.

Respectfully yours,

Paul R. Taylor Jr.
President, PT & Associates

Lucille R. Dobbins
President, Resolution Resources

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August 14, 1998

The Honorable Alan Greenspan
Chairman of the Federal Reserve
Board of Governors of the Federal Reserve System
Washington, DC 20551

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Sincerely yours,

Paul R. Taylor Jr.
President, PT & Associates

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President, Resolution Resources

DOMESTIC MONETARY FUND EXECUTIVE SUMMARY

Concept

The Domestic Monetary Fund (DMF) is a structured pool of capital assembled from investors interested in providing needed capital to the ever-increasing, median/middle class, minority market, for a profit.

The concept of the DMF is to mirror the International Monetary Fund's (IMF) founding principle of creating a cooperative institution that financial companies such as banks and pension funds can voluntarily join. This institution will allow these companies to form a stable system of capital so that the minority community's median (average wage earner – see Note 1) and middle income consumers can sustain and expand businesses, real estate investments and lending services smoothly and without delay or burdensome regulations.

Like the IMF, the DMF members will have no effective authority over the DMF's economic policies.

Note 1: The median income is the middle income of all area households with two or more members.

Genesis

The quickening pace of the consolidations of financial institutions is narrowing the control of products, services and available capital to the country's median/middle class, minority communities into the hands of fewer organizations. If one looks at the nation as a whole, you will see that high wealth, high poverty overlaps with the present, growing minority community. Since many of these institutions have had difficulty providing these services in the past – a concern can be justified. However, instead of approaching this economic evolution as a problem, we are proposing the Domestic Monetary Fund as a timing opportunity.

Plan

After the capital is secured, the plan involves a process of funneling capital through "profitable products and programs" that will, at least initially, concentrate on those areas of service that will provide identified communities with the most social and economical impact (Exhibit A). The economic stimulus for immediate concentration will be:

1) Business Creation & Expansion
2) Real Estate Development
3) Credit Administration (Lending)

Development Tasks

Several tasks must be accomplished to:

1) Establish the DMF organizational structure (Exhibit B)
2) Acquire the needed capital
3) Establish the program administration
4) Appoint a National Oversight Board
5) Design and implement an administrative program to evaluate profitable products that will create businesses, real estate development and provide lending

Demography

The attached maps indicate a concentration of high poverty in the Southwest and Southeast. The Minority Patterns map shows that there is a significant overlap of minorities in these same areas.

The metropolitan centers in these regions, however, also offer thriving economies primarily around high technology and service industries. The prominent companies in these areas would be logical investors in the DMF and virtual automatic beneficiaries as well.

Conclusion

Minority businesses and political leaders realize that our communities are economically viable and that businesses are ready to start, real estate is ready to be developed and lending proceeds can be used as vehicles for work – while capital is often not available.

This fund will in effect serve as an extremely well capitalized "investment fund" where all of the investments will be made in the described, targeted communities. The key element of this fund is that all of the investments must return a "profit" back to the fund to ensure that it is not government-dependent and that it is self-sustaining.

COMMUNITY STRUCTURAL COMPONENTS
EXHIBIT A

Note: The range of target services can expand based on the needs of a particular community.

ECONOMIC
- Basic Banking Services & Access
- Business Development Capital
- Investment Capital
- Consumer Capital Access (loan/lease)

REAL ESTATE
- Single-Family Housing Development
- Multi-Family Housing Development
- Assisted Living Housing
- Dormitory Housing for HBCU
- Industrial/Commercial Development

HEALTH CARE
- Basic Services
- Prevention
- Emergency Urgent Care

SUBSTANCE ABUSE
- Prevention
- Treatment
- Maintenance

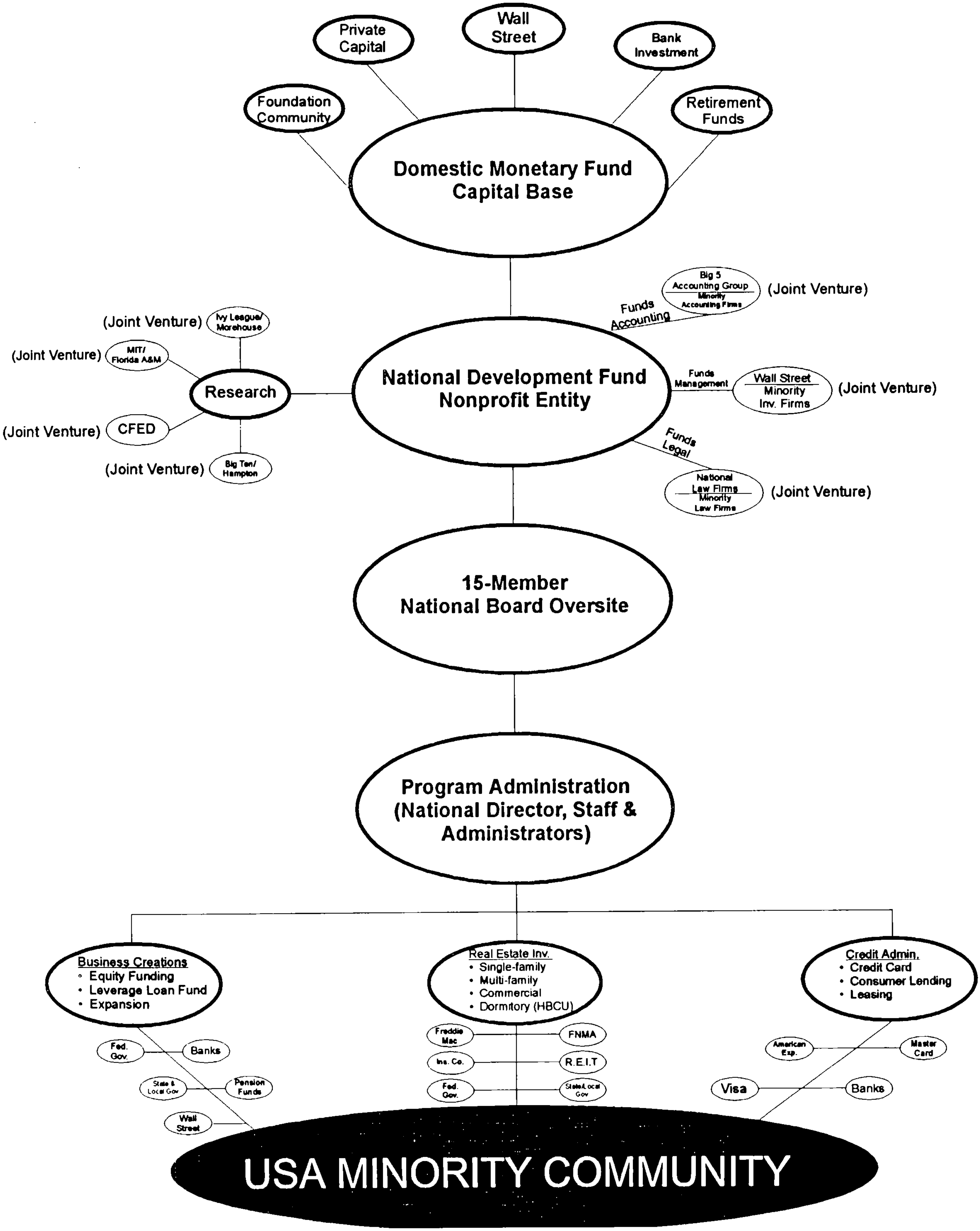
CRIME MITIGATION
- Community
- Government

EDUCATION
- Preschool (day care)
- School (public)
- Secondary (college)

EMPLOYMENT
- Self-employment
- Corporate (Fortune 1000, etc.)
- Private Small Businesses
- Government Entities

COMMUNITY RELATIONS
- Recreation/Arts Development
- Public Relations
- Political Relations
- Media Relations

CONCEPTUAL DOMESTIC MONETARY FUND NATIONAL MODEL
EXHIBIT B



DEMOGRAPHIC SUPPORT

Sources

1) Cheryl Russel, Racial and Ethnic Diversity, Second Edition, (Ithaca, NY: New Strategist, 1998), pp. 137-138, 173-174, 198-199.
2) Brad Edmondson, "Wealth and Poverty," American Demographics, May 1998, pp. 20-21.
3) William H. Frey, "The Diversity Myth," American Demographics, June 1998, pp. 42-43.

NEW MINORITY MAJORITIES

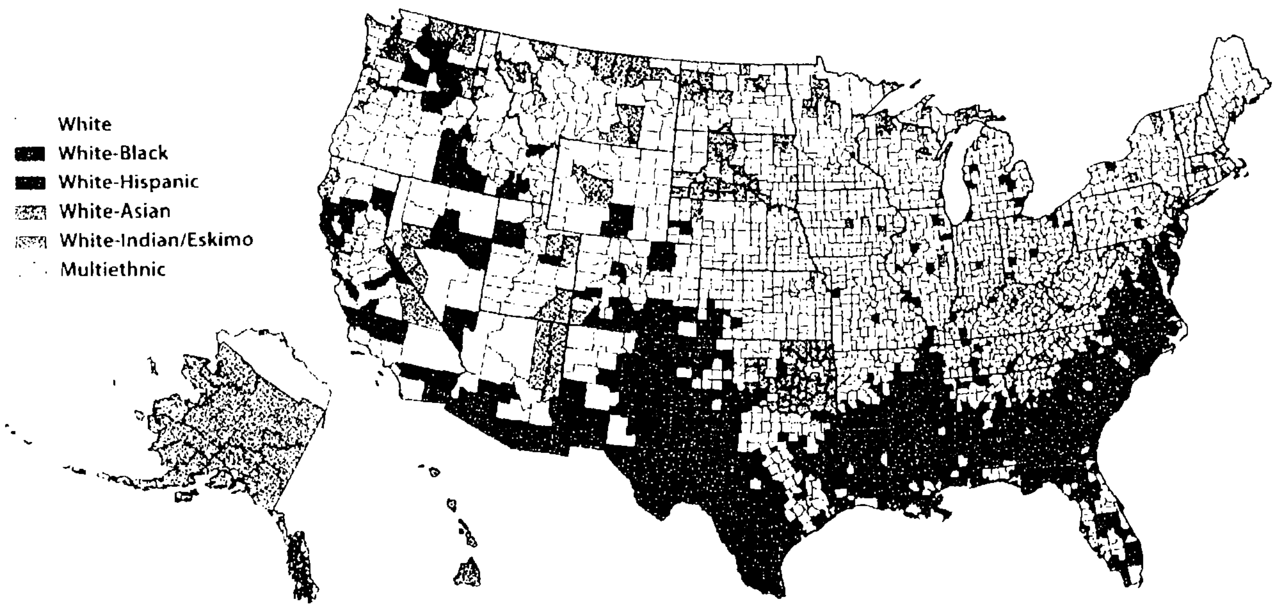
(new minority-majority counties within metropolitan areas by county and metro, 1996 population in thousands, percent white, 1990 and 1996, and minority distribution, 1996)

county	metropolitan area	1996 population	percent white 1990	percent white 1996	1996 percent minority black	Hispanic	Asian	Eskimo
Philadelphia County, PA	Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD CMSA	1,478	52.0%	48.1%	41.5%	6.8%	3.4%	0.2%
Alameda County, CA	San Francisco-Oakland-San Jose, CA CMSA	1,328	53.0	47.6	17.2	17.1	17.6	0.5
Fresno County, CA	Fresno, CA MSA	751	50.6	44.1	4.5	41.2	9.5	0.7
DeKalb County, GA	Atlanta, GA MSA	590	51.9	46.8	44.7	4.1	4.2	0.2
St. Louis city, MO	St. Louis, MO-IL MSA	352	50.1	46.1	51.0	1.5	1.1	0.2
Tulare County, CA	Visalia-Tulare-Porterville, CA MSA	350	54.5	48.1	1.3	44.9	4.8	0.9
Monterey County, CA	Salinas, CA MSA	339	52.3	45.6	5.2	39.9	8.7	0.5
Fort Bend County, TX	Houston-Galveston-Brazoria, TX CMSA	307	53.7	49.2	20.3	22.2	8.1	0.2
Richmond County, GA	Augusta-Aiken, GA-SC MSA	194	54.2	49.4	44.8	3.0	2.5	0.3
Merced County, CA	Merced, CA MSA	192	54.1	47.6	4.2	38.3	9.4	0.6

Note: Metropolitan areas listed are for new minority-majority counties that are within a metropolitan area.

MINORITY PATTERNS

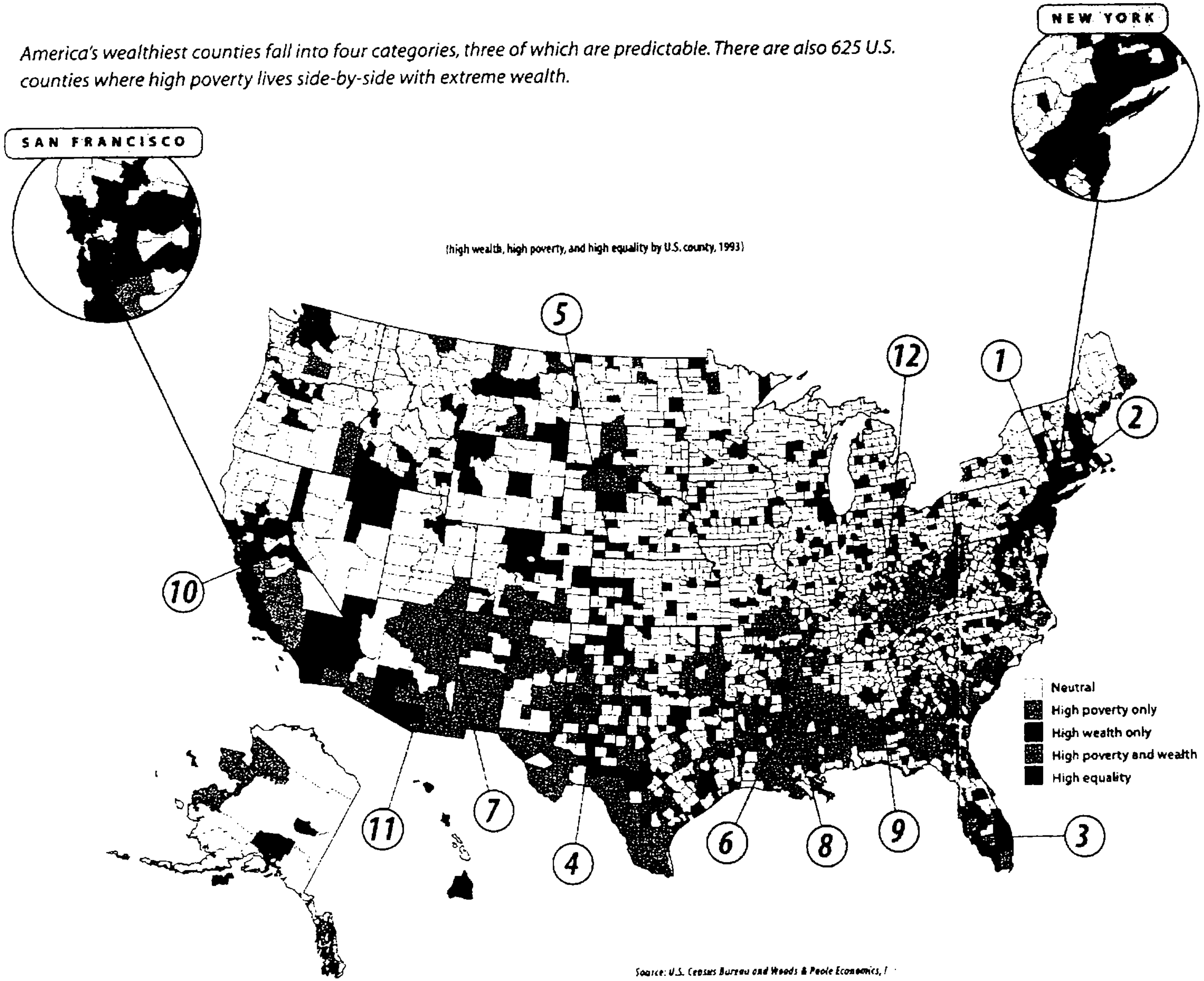
(U.S. counties where the percent of the population represented by a minority exceeds that minority's share of the U.S. population, 1996)



Note: In white counties, no minority group exceeds the national percentage. In white-black counties, blacks exceed 13 percent; in white-Hispanic counties, 12 percent; in white-Asian and white Indian-Eskimo counties, 5 percent. Multiethnic counties have more than one minority represented.

Source: William H. Frey, University of Michigan analysis of census estimates

America's wealthiest counties fall into four categories, three of which are predictable. There are also 625 U.S. counties where high poverty lives side-by-side with extreme wealth.



Our economy may be robust, but the American middle class isn't what it used to be. In 1970, uptown apartments in **(1) Manhattan** (New York County, NY, pop. 1,500,000) were often occupied by middle-income families. One generation later, Manhattan has gone to extremes. It ranks fifth among all U.S. counties in the proportion of wealthy households: 7.1 percent of its residents had household incomes of $150,000 or more in 1993, compared with a national average of 0.74 percent. Yet Manhattan is also in the top one-fifth of counties for share of households living in poverty: 22 percent of its households were poor in 1993, compared with a national average of 12 percent.

Extremes of poverty and wealth are usually associated with cities in the developing world, but they are also found across America. Studies have shown that places with a weak middle class are more likely to experience government corruption, voter apathy, and a host of social ills. In this map, the nation's wealthiest counties—those in the top one-fifth for the proportion of households earning more than $150,000—are shown in dark blue. The poorest counties, those in the top one-fifth for share of households below the poverty line, are in light red. Counties in the top one-fifth for both wealth and poverty are in light blue. Counties with high income equality—those in the lowest one-fifth for both wealth and poverty—are in dark red.

POVERTY IS MOST WIDESPREAD IN RURAL COUNTIES WHERE THE ECONOMIC ENGINE HAS BROKEN DOWN.

America's wealthiest counties fall into four categories, three of which are predictable. Some are the most exclusive suburbs of big metro areas. In top-ranked **(2) Fairfield, CT** (pop. 828,000 in 1993), 8.3 percent of households earn $150,000 or more. Others are financial centers like Manhattan, where the suburban royalty earns its money. The third category is places where big money goes to play and retire, such as **(3) Palm Beach County, FL** (pop. 934,000). But the fourth category is where old money never goes. It is in sparsely populated counties like **(4) Glasscock, TX** (pop. 1,500), where a lucky few own oil wells, and **(5) Hayes, NE** (pop. 1,200), a table-flat expanse of 713 square miles and about 300 huge grain farms.

Poverty is most widespread in rural counties where the economic engine has broken down, like those on the Texas-Mexico border, Appalachia, and the Deep South. The county with the highest poverty rate in the U.S. in 1993 was **(6) East Carroll, LA** (pop. 9,400) where 52 percent of households were below the official government line. The poorest counties also include those with large Indian reservations, like **(7) Apache, AZ** (pop. 64,100); and in urban areas with large slums, like **(8) Orleans Parish, LA** (pop. 488,000).

There are also 625 U.S. counties that are in the highest one-fifth for both poverty and wealth. Some of these are big urban places that contain both financial centers and slums; in central **(9) Atlanta** (Fulton County, GA, pop. 678,000), 23 percent of households were below the poverty line and 4.4 percent earned more than $150,000. The rich-poor contrast is also extreme in areas with huge irrigated farms that hire hundreds of migrant workers, such as **(10) Tulare, CA** (pop. 339,000). And a few rich-poor counties are manufacturing centers with large numbers of illegal-immigrant workers, like **(11) Santa Cruz, AZ** (pop. 34,000).

Our analysis also revealed 55 U.S. counties where wealth and poverty are relatively unknown; they are in the bottom one-fifth both for households earning $150,000 or more and for households below the poverty line. All of these counties are outside of metropolitan areas. Only one—**(12) Preble, OH** (pop. 41,000)—has more than 40,000 residents. These counties could be the places where Thomas Jefferson's democratic ideal—an America of small towns and small farms—is still alive.

Black Homeownership in the 50 Metropolitan Areas with the Most Black Households, 1990

(number of black households, percent of total households that are black, percent of black households that are owner occupied, and median value of black owner-occupied houses, in the U.S. and in the 50 metropolitan areas with the most black households, ranked alphabetically, 1990; numbers in thousands)

			owner-occupied	
	number	black share of total households	percent	median value
Total black households	**9,976**	**10.8%**	**43.4%**	**$50,700**
Atlanta, GA	254	24.0	40.4	66,700
Augusta, GA	40	28.2	51.7	47,700
Baltimore, MD	207	23.5	39.4	57,100
Baton Rouge, LA	49	26.1	52.8	45,900
Birmingham, AL	85	24.6	53.3	38,900
Boston, MA	71	6.5	24.7	160,200
Buffalo, NY	43	11.3	34.2	38,500
Charleston, SC	47	26.7	57.1	52,800
Charlotte–Gastonia–Rock Hill, NC-SC	78	17.6	43.8	49,900
Chicago, IL	440	19.8	37.1	64,100
Cincinnati, OH	71	13.0	33.1	54,400
Cleveland, OH	132	18.5	42.2	45,500
Columbia, SC	42	26.0	50.3	53,200
Columbus, OH	58	11.1	38.9	50,400
Dallas, TX	140	14.7	37.9	57,000
Dayton–Springfield, OH	46	12.6	47.3	42,100
Detroit, MI	329	20.3	48.7	29,200
Fort Lauderdale–Hollywood–Pompano Beach, FL	59	11.1	44.9	67,300
Fort Worth–Arlington, TX	49	9.9	43.9	47,600
Gary-Hammond, IN	40	18.7	50.8	34,200
Greensboro–Winston-Salem–High Point, NC	66	17.7	41.3	53,700
Houston, TX	209	17.6	43.1	43,200
Indianapolis, IN	62	12.9	42.5	41,000
Jackson, MS	62	18.0	50.2	41,500
Jacksonville, FL	52	36.9	54.0	42,100
Kansas City, MO-KS	71	11.7	46.7	37,600
Los Angeles–Long Beach, CA	353	11.8	36.5	143,500
Louisville, KY-IN	46	12.4	42.7	34,800

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	number	black share of total households	owner-occupied percent	owner-occupied median value
Memphis, TN	129	36.0%	47.9%	$44,500
Miami–Hialeah, FL	120	17.4	43.7	62,800
Milwaukee, WI	62	11.5	30.3	40,600
Mobile, AL	42	24.3	54.8	38,500
Nashville, TN	54	14.3	41.7	57,100
Nassau–Suffolk, NY	52	6.0	61.5	152,600
New Orleans, LA	141	30.9	40.9	56,300
New York, NY	762	23.4	20.8	159,900
Newark, NJ	141	21.6	30.9	132,400
Norfolk–Virginia Beach–Newport News, VA	132	26.7	42.3	66,300
Oakland, CA	111	14.3	36.7	138,100
Orlando, FL	41	10.3	46.0	59,400
Philadelphia, PA-NJ	316	17.8	55.5	36,200
Pittsburgh, PA	64	7.7	38.9	36,200
Raleigh–Durham, NC	65	22.8	41.4	63,400
Richmond–Petersburg, VA	89	26.8	49.0	57,300
Riverside–San Bernardino, CA	54	6.2	45.5	127,900
San Diego, CA	50	5.7	28.4	129,700
San Francisco, CA	44	6.9	31.5	223,200
St. Louis, MO-IL	144	15.6	45.3	43,800
Tampa–St. Petersburg–Clearwater, FL	63	7.2	45.4	47,000
Washington, DC-MD-VA	371	25.4	41.1	111,700

Source: Bureau of the Census, Housing in Metropolitan Areas—Black Households, *Statistical Brief, SB/95-5, 1995; calculations by New Strategist*

Metropolitan Areas with the Most Blacks, 1990

(metropolitan areas with at least 100,000 blacks ranked by size of black population; number of blacks and black share of total metropolitan population, 1990; numbers in thousands)

		number	percent
1.	New York–Northern New Jersey–Long Island, NY-NJ-CT-PA	3,439	17.8%
2.	Washington–Baltimore, DC-MD-VA-WV	1,696	25.2
3.	Chicago–Gary–Kenosha, IL-IN-WI	1,564	19.0
4.	Los Angeles–Riverside–Orange County, CA	1,230	8.5
5.	Philadelphia–Wilmington–Atlantic City, PA-NJ-DE-MD	1,083	18.4
6.	Detroit–Ann Arbor-Flint, MI	1,061	20.5
7.	Atlanta, GA	747	25.2
8.	Houston–Galveston-Brazoria, TX	668	17.9
9.	Miami–Fort Lauderdale, FL	591	18.5
10.	Dallas–Fort Worth, TX	566	14.0
11.	San Francisco–Oakland–San Jose, CA	538	8.6
12.	New Orleans, LA	447	34.8
13.	Cleveland–Akron, OH	445	15.6
14.	St. Louis, MO-IL	424	17.0
15.	Memphis, TN-AR-MS	410	40.7
16.	Norfolk–Virginia Beach–Newport News, VA-NC	409	28.3
17.	Boston–Brockton–Nashua, MA-NH-ME-CT	261	4.8
18.	Richmond–Petersburg, VA	252	29.2
19.	Birmingham, AL	241	28.7
20.	Charlotte–Gastonia–Rock Hill, NC-SC	232	19.9
21.	Milwaukee–Racine, WI	214	13.3
22.	Raleigh–Durham–Chapel Hill, NC	207	24.2
23.	Cincinnati–Hamilton, OH-KY-IN	204	11.2
24.	Greensboro–Winston–Salem–High Point, NC	203	19.3
25.	Kansas City, MO–KS	201	12.7
26.	Tampa–St. Petersburg–Clearwater, FL	186	9.0
27.	Indianapolis, IN	182	13.2
28.	Jacksonville, FL	181	20.0
29.	Pittsburgh, PA	180	7.5
30.	Jackson, MS	168	42.5
31.	Columbus, OH	163	12.1
32.	San Diego, CA	159	6.4
33.	Charleston–North Charleston, SC	153	30.2
34.	Nashville, TN	152	15.5

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		number	percent
35.	Orlando, FL	147	12.0%
36.	Greenville–Spartansburg–Anderson, SC	145	17.4
37.	Baton Rouge, LA	143	30.5
38.	Columbia, SC	138	30.4
39.	Seattle–Tacoma–Bremerton, WA	133	4.5
40.	Mobile, AL	131	27.4
41.	Shreveport–Bossier City, LA	130	34.6
42.	Dayton–Springfield, OH	126	13.3
43.	Augusta–Aiken, GA-SC	125	31.6
44.	Louisville, KY–IN	122	12.9
45.	Buffalo–Niagara Falls, NY	122	10.3
46.	West Palm Beach–Boca Raton, FL	108	12.5
47.	Montgomery, AL	105	36.0
48.	Sacramento–Yolo, CA	102	6.9
49.	Little Rock–North Little Rock, AR	102	19.9
50.	Macon, GA	102	35.0
51.	Oklahoma City, OK	101	10.5

Source: Bureau of the Census, Statistical Abstract of the United States 1993*; calculations by New Strategist*

Blacks: Wealth

Although blacks have been gaining in income, they have little wealth.

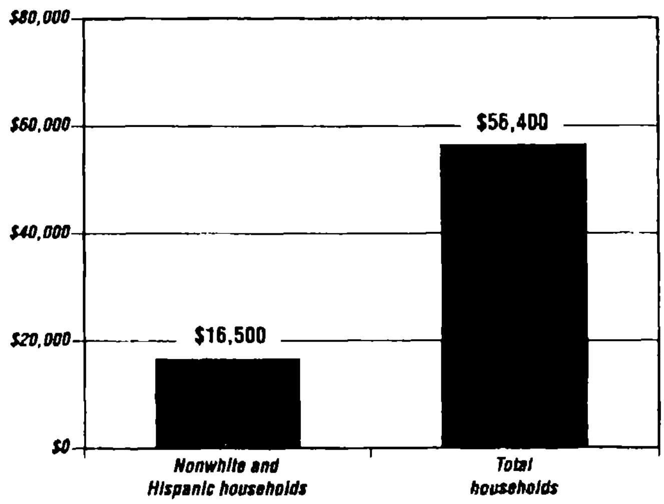
The median net worth (assets minus debts) of nonwhite and Hispanic households amounted to just $16,500 in 1995, far below the $56,400 net worth of the average American household. Nonwhite and Hispanic net worth declined 2.4 percent between 1992 and 1995, after adjusting for inflation. (Note: The Federal Reserve collects wealth data for only two racial and ethnic categories: non-Hispanic whites, and nonwhites and Hispanics. The nonwhite and Hispanic category includes Asians, blacks, Hispanics, and Native Americans.)

The net worth of nonwhite and Hispanic households is below average in large part because blacks and Hispanics are less likely to own a home than the average householder. Home equity accounts for the largest share of Americans' net worth. Only 48 percent of nonwhite and Hispanic householders own a home, according to the Federal Reserve Board's 1995 Survey of Consumer Finances. Nonwhite and Hispanic householders have only $5,200 in financial assets, with transaction accounts (such as checking accounts) owned by the largest share (69 percent). Most nonwhite and Hispanic householders are in debt, owing a median of $12,200 in 1995.

■ The net worth of nonwhites/Hispanics will not increase much without a substantial rise in minority homeownership. Because so many black households are female-headed families with low incomes, black homeownership is likely to remain well below average.

Net worth of nonwhite and Hispanic households is well below average

(median net worth of nonwhite and Hispanic and total households, 1995)



DOMESTIC MONETARY FUND

CONCEPTUAL PLAN

DOMESTIC MONETARY FUND

Statement of Purpose

The objective of the Domestic Monetary Fund (DMF) is to mirror the International Monetary Fund's (IMF) founding principle of creating a cooperative institution that financial companies such as banks and pension funds can voluntarily join. This institution will allow these companies to form a stable system of capital so that the minority community's median (average wage earner – see Note 1) and middle income consumers can sustain and expand businesses, real estate investments and lending services smoothly and without delay or burdensome regulations.

These communities are viable today, but without a capital or investment source severe decline will occur in the next decade. To maintain these communities, focus must be placed on eight categories (economic, real estate, health care, substance abuse, crime, education, employment and community relations). These eight categories (Exhibit B) include all the elements that make a community the best in the world when they are operated correctly and the worst in the world when they are operated poorly.

By capitalizing on the positives and the logic of the International Monetary Fund the plan will utilize a "Domestic Monetary Fund" to channel the enormous amount of capital that remains available in the country today but is inaccessible to the minority community.

Note 1: The median income is the middle income of all area households with two or more members.

The Plan

Our Phase I plan has at its core a "Domestic Monetary Fund" that would source capital from various entities and direct the funds to a National Development Fund for managed use (Exhibit A-1).

This managed use would center around investments in entities that service the deficient community components (Exhibit B).

The plan would begin, however, by concentrating on two of the eight areas that are known to have a major and immediate community impact. These areas include certain aspects of the economic and real estate needs of the minority community.

Economic / Real Estate

- Business Creation & Expansion
- Real Estate Development
- Credit Administration

It is important to note that the "National Development Fund" is an investment fund with income-producing products offered through the credit administration area. This approach will provide a revenue stream and a profitable return associated with each investment to allow the fund to sustain itself and to continue to grow.

Development Tasks

Each of the components of the plan will require several development tasks to ensure each has a specific objective and structure. A minimum developmental task list for each of the components in Exhibit A-1 is as follows:

Domestic Monetary Fund

- Create structure for enrolling and receiving capital sources.
- Develop mechanism for receiving funds from investors (Exhibit A-1) and monitoring each investor's share of capital pool, or if we choose a foundation approach a mechanism will need to be developed to monitor the contribution.
- Develop investment vehicle for funds that have not been allocated to the National Development Fund for distribution (60/40).
- Develop bylaws, mission statement, business plan, organizational structure and credit process.
- Develop administration plan including administration staff, physical location and operating needs.
- Develop informational package to explain and market the funds proposed, objectives and requests.

Foundation Community	Private Capital
1) Develop target list of foundations 2) Develop a plan to contact & enroll each 3) Develop reporting process to those enrolled 4) Develop board membership plan based on investment	1) Develop target list of private companies to solicit 2) Develop a plan to control & enroll each 3) Develop reporting process for those enrolled 4) Develop board membership plan based on investment

Wall Street
1) Develop target list of entities
2) Develop calling & enrollment plan

Bank Contribution
1) Develop target list of major consolidating banks
2) Develop & execute calling plan to enroll each

Retirement Funds
1) Develop list of retirement funds to approach
2) Develop & execute custom retirement fund representation

National Development Fund (Nonprofit Entity)

- Develop complete administrative structure.
- Develop funding request procedures and follow-up process for reporting.
- Develop investment parameters including ownership positions based on equity/investment infusions, lending policies, etc.
- Develop bylaws, objectives, business plan, organization structure and audit process.

Research
1) Develop joint venture structure to enroll HBCU such as Florida A & M, Spellman, Morehouse and others to Ivy League, Big Ten and independent schools
2) Develop operating procedures to permit ongoing research regarding the impact on the Eight Point Plan

Accounting Group
1) Develop joint venture structure
2) Develop all funds flow processes
3) Develop all auditing processes for all investments

Wall Street
1) Develop joint venture structure
2) Develop investment processes

National Law Firms
1) Develop joint venture agreements
2) Develop all operating processes

Fifteen-Member National Board

- Define board function and board members' responsibilities.
- Develop board-reporting processes.
- Develop process for rotating members based upon total fund investments.

Program Administration (National Director, Staff & Administrators)

- Develop mission statement, objectives, business plan, marketing plan, investment processes, coaching assistance, income goals, etc.
- Define complete administrative plan to include size of staff, facilities and equipment needs.
- Develop administrative budget.
- Develop all investment processes including how firms apply, how they report and how they pay back investment.
- Develop funding processes to ensure funds are delivered as agreed and investments are monitored.

Economic / Real Estate

Business Creations
- Equity Funding
- Leverage Loan
- Expansion

1) Develop materials to make companies & individuals aware of the "fund" existence
2) Develop investment & lending processes
3) Develop reporting & control mechanisms

Real Estate Investment

1) Develop materials & communication plan to make entities aware of opportunities the fund provides
2) Develop investment & lending processes
3) Develop reporting & control mechanisms

Credit Administration
- Income-producing Products

1) Develop a communication plan
2) Develop a plan to purchase B & C credit paper
3) Create an affinity card relationship
4) Create a securitization plan with product

Open Items

- When a delivery system to the minority community is developed (Exhibit C) will the funds access the community directly or will the funds access the community through intermediaries?

Next Steps

The next steps call for a process that will allow this concept to be refined, documented and finalized in a form that can be presented and implemented. To accomplish this task we're recommending that we implement the following steps:

TASK	OBJECTIVE
1) Convene a one-day summit of 35 to 50 key people representing the stakeholders described in Exhibit A-1.	The objective of this meeting will be to present the overall concept and identify the participants to refine the "plan." The participants will then break into five groups of five to seven members to refine and write each respective aspect of the "plan." The five groups include: 1) Domestic Monetary Fund (structure, sources, etc.) 2) National Development Fund (structure, operation, etc.) 3) 15-member Board (structure, etc.) 4) Program Administration (national director, staff, etc.) 5) Program Execution (business creation, real estate investment, credit administration and product development Each of the five groups will have a designated writer to take notes and to write everything that is developed by the team.
2) Fund an interim program administrator to direct and monitor the program and the "plan team."	To provide a dedicated resource to ensure that the project stays on the specified time line.
3) Convene second summit meeting 30 days after the first with remaining participants and all new participants replacing those that did not opt to participate.	To review concept and program drafts from the first meeting to ensure all parties are in agreement To review progress of each of the five groups by committee chairs. Each committee chair will also present the precise "deliverables" that will be completed over the next six "work" months to bring each section to completion.
4) Develop the plan	Small group will develop and write the national plan
5) Convene the third and final meeting	To present the final integrated plan

Time Line

STEPS	MONTHS						
	1	2	3	4	5	6	7
1) Convene initial meeting	X						
2) Convene 2^{nd} (development) meeting		X					
3) Write and refine the plan	X	X	X	X	X	X	
4) Convene final meeting to present and review entire plan							X

EXHIBIT A-1

CONCEPTUAL MODEL (INVESTOR PLAN)

CONCEPTUAL DOMESTIC MONETARY FUND NATIONAL MODEL

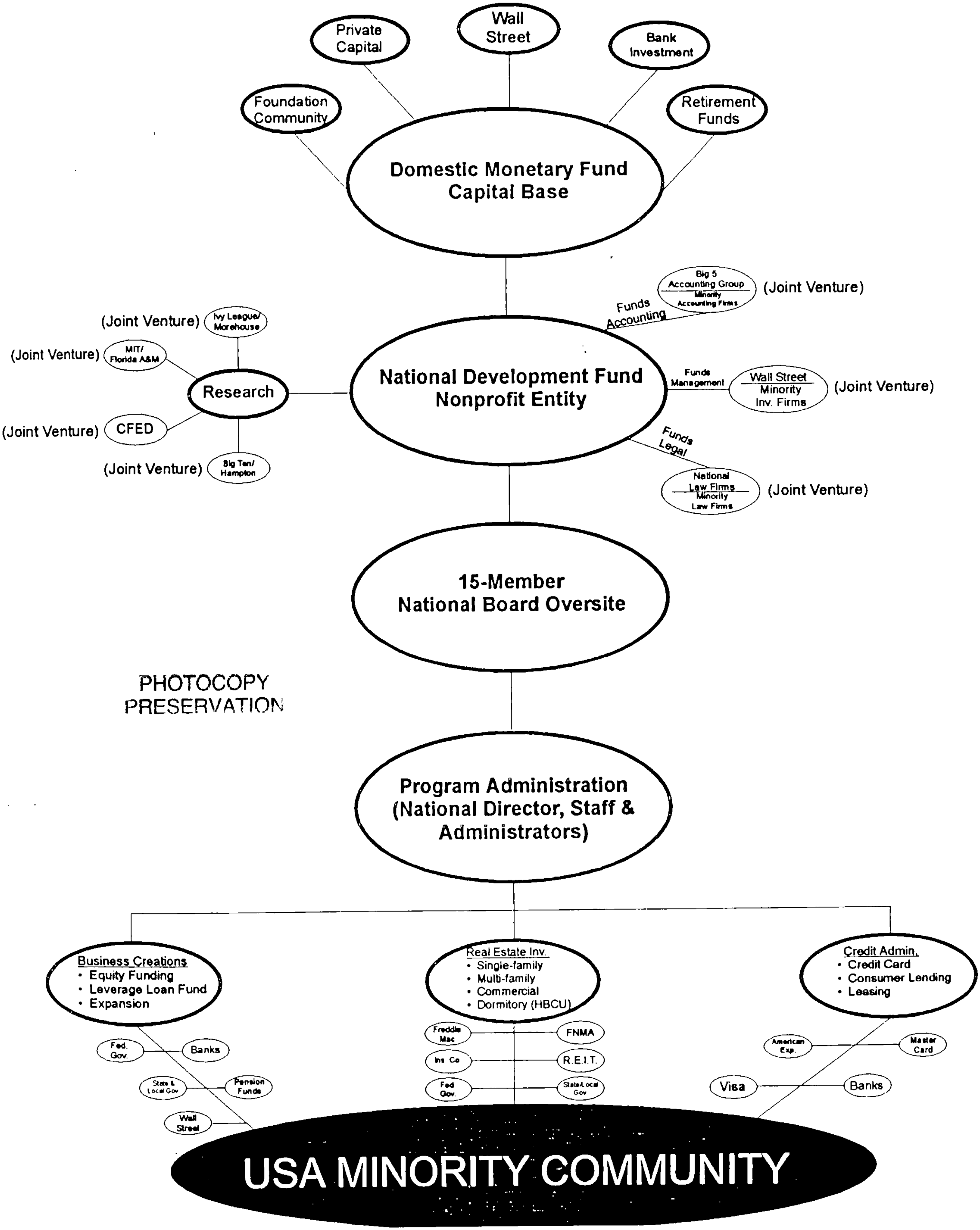


EXHIBIT B

COMMUNITY STRUCTURAL COMPONENTS

COMMUNITY STRUCTURAL COMPONENTS

Note: The range of target services can expand based on the needs of a particular community.

ECONOMIC
- Basic Banking Services & Access
- Business Development Capital
- Investment Capital
- Consumer Capital Access (loan/lease)

REAL ESTATE
- Single-Family Housing Development
- Multi-Family Housing Development
- Assisted Living Housing
- Dormitory Housing for HBCU
- Industrial/Commercial Development

HEALTH CARE
- Basic Services
- Prevention
- Emergency Urgent Care

SUBSTANCE ABUSE
- Prevention
- Treatment
- Maintenance

CRIME MITIGATION
- Community
- Government

EDUCATION
- Preschool (day care)
- School (public)
- Secondary (college)

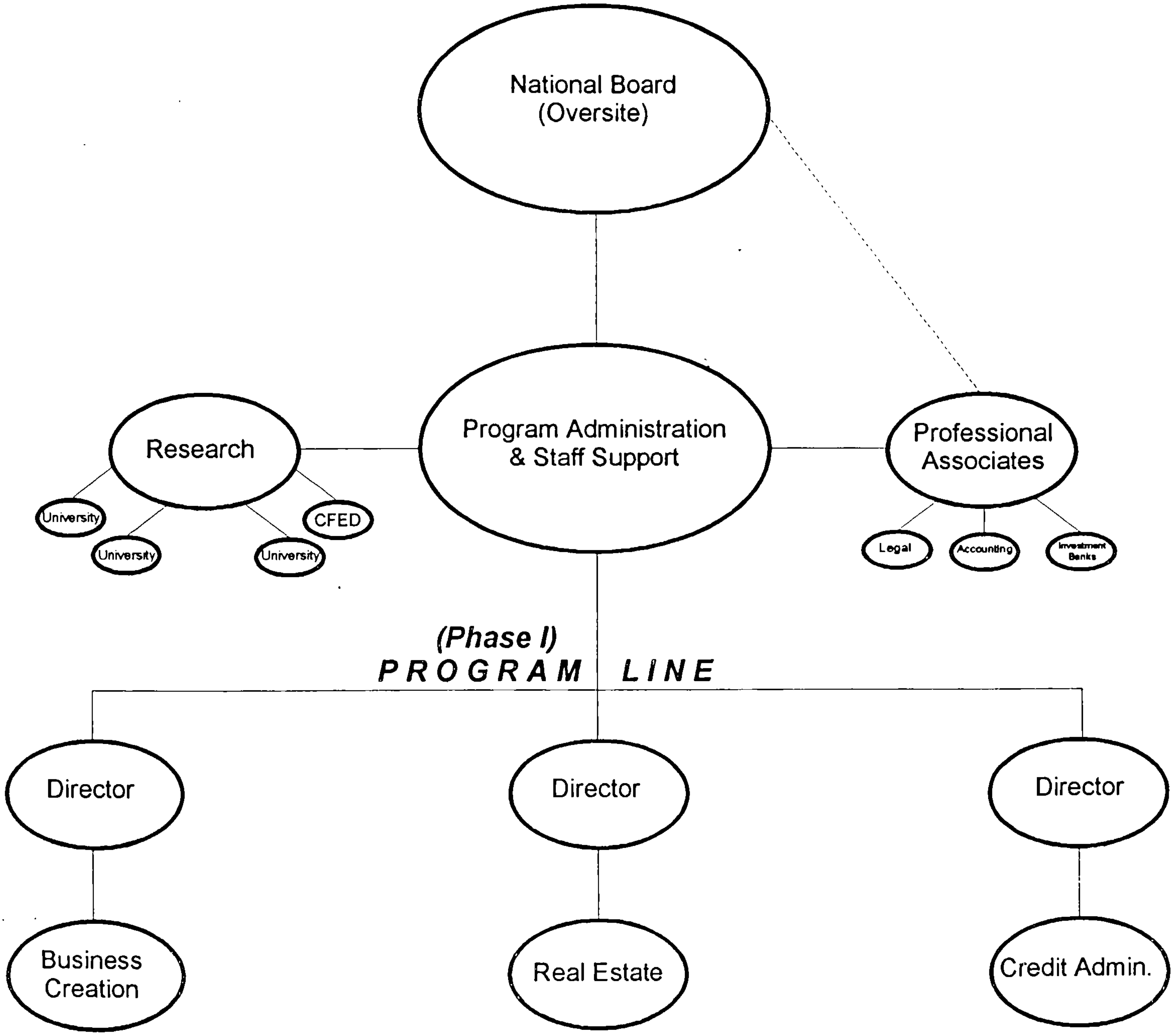
EMPLOYMENT
- Self-employment
- Corporate (Fortune 1000, etc.)
- Private Small Businesses
- Government Entities

COMMUNITY RELATIONS
- Recreation/Arts Development
- Public Relations
- Political Relations
- Media Relations

EXHIBIT C

OPERATING STRUCTURE

OPERATIONAL STRUCTURE



EXAMPLES

1) CREDIT ADMINISTRATION

2) BUSINESS CREATION

3) REAL ESTATE DEVELOPMENT

DOMESTIC MONETARY FUND BALANCE SHEET

Assets	
Reserves (40%)	$ 6,000,000,000
Mortgage Loans	4,000,000,000
Commercial Loans	4,000,000,000
Credit Card Balances	1,000,000,000
	$ 15,000,000,000
Liabilities	
Investor Capital	$15,000,000,000

DOMESTIC MONETARY FUND INCOME STATEMENT

	Year 1
Income	
Net Mortgage Loan Income	$ 50,400,000
Net Credit Card Income	41,622,000
Net Commercial Loan Income	160,000,000
4.5% Capital charge from Product Providers	405,000,000
7.0% Return on Reserves	420,000,000
	$1,077,022,000
Expenses	
DMF Administration Costs (est.)	$ 30,000,000
Product Expense (profit to providers – see Note 1)	69,016,000
Replacement Reserves	343,190,400
4.5% Capital Return	405,000,000
	$847,206,400
Retained Earnings	$228,793,600

Note 1

1) 75% of mortgage profit to providers	$ 37,800,000
75% of credit card income to credit card providers	31,216,500
	$69,016,500

EXAMPLE – HANDOUT ONE

Credit Administration (Product Development)

The area of creating products that work well in the communities described is critical to successfully penetrating the residents, and one example is an "affinity credit card" program.

For the purposes of this example we will assume that we partner with a bank and that we produce eight million active credit card holders, three million of which would make it through the normal credit underwriting process. The other five million members would then be purchased by the Domestic Monetary Fund and therefore would realize the full profit potential.

The attached example describes the profit potential for 1000 affinity cards that would be purchased by the Domestic Monetary Fund. In this example the Domestic Monetary Fund would pay the "investors" 4.5% to provide a return to sustain the fund.

In the attached example the profit created by the three million accounts that would credit qualify and "not" be purchased by the fund is described in the "assumptions" section as "participation fees." The profit for the five million accounts purchased is described in the financial highlights as "after tax income."

The profit potential for the eight million cards is summarized as follows:

	First Full Year
Net Income from Referred Accounts – 3 million (Affinity Income)	$ 4,137,000.00
Net Income from Purchased Accounts – 5 million (Note 1)	$37,485,000.00
(Note 2)	$41,622,000.00

Notes:
1) Approximately $1 billion in funds outstanding.
2) First year revenue only. Revenue for the following years is a function of anticipated growth.

STRICTLY FOR EXPLANATION – NOT MEANT FOR POLICY

DOMESTIC MONETARY FUND AFFINITY CARD PROGRAM

ASSUMPTIONS

Annual new accounts	1,000
Monthly new accounts	83

	Year 1	Year 2	Year 3	Year 4	Year 5
Interest Rate-Stated	16.90%	16.90%	16.90%	16.90%	16.90%
Interest Rate-Yield	14.03%	14.03%	14.03%	14.03%	14.03%
Funding Expense	4.50%	5.00%	5.50%	6.00%	6.50%
Loan Loss	0.50%	3.00%	3.50%	4.50%	4.00%
Provision Expense	1.75%				

	Percentage	Income
Late & Overline Fees	6.00%	$15

Processing cost per active account $19.50 annual fee

Affinity Income (1,000 cards)	Percentage	Cost of Participation Fees				
		Year 1	Year 2	Year 3	Year 4	Year 5
Participation Fees-Interchange	0.25%	$1,167	$2,973	$4,690	$6,320	$7,869
Participation Fees-Interest Income	0.10%	$212	$682	$1,130	$1,554	$1,958

Additional Assumptions

Cost of funds is an estimate based on current trends.
Balance growth was modeled after affinity programs opened in 1993.
No equity funding was used.
No residual value was calculated for the end of the fifth year.

DOMESTIC FUND CARD FINANCIAL HIGHLIGHTS OF 1,000 CARDS OUTSTANDING (CONSERVATIVE MODEL)

	Year 1	Year 2	Year 3	Year 4	Year 5
Average Balances	$211,551	$682,336	$1,129,581	$1,554,464	$1,958,102
Total Income (spreads & fees)	$22,330	$64,357	$91,850	$103,146	$123,707
Total Expense (process cost)	$10,796	$22,689	$35,411	$47,498	$58,980
After Tax Income (per 1,000)	$7,497	$27,084	$36,685	$36,172	$42,073
ROA	3.54%	3.97%	3.25%	2.33%	2.15%

Notes:

1) The reduction in ROA is mainly due to increased funding and charge-off expense
2) Models are based on a for-profit owner. Returns will be higher if fund is a non-profit entity

EXAMPLE – HANDOUT TWO

Domestic Monetary Fund (Business Creations)

The Domestic Monetary fund will provide lending assistance in the creation and expansion of small businesses for the median/middle class African American community. Small business loans have been the least available form of investment available in these communities, and in this example we'll look at the impact $4 billion would have on these communities.

In this example we'll use the following assumptions:

1) Loans would be made from $500,000 to $10,000,000 with an average size of $5,000,000.
2) Cost of capital (i.e. the return to the equity providers is 4.5% the same as the affinity card example).
3) Actual losses will be 2% (well above the national average).
4) Business rate is 1.5% over prime (10%).
5) One percent loan fee.

Full year impact:

Interest Income at 10% (4 billion)	$400,000,000
Fee Income	40,000,000
Total Income (4 billion)	$440,000,000
Cost of Funds at 4.5%	$180,000,000
Loan Loss	80,000,000
Administration (overhead costs)	20,000,000
	$280,000,000
Net Income	$160,000,000

This example would provide the creation of 800 loans at an average of $5,000,000 each.

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EXAMPLE – HANDOUT THREE

Domestic Monetary Fund (Real Estate Development)

Housing will be a critical investment product for the Domestic Monetary Fund. In the communities we've defined there will be a need for mortgages in the $150,000 range.

If we assume we'll be able to invest $4 billion in single-family housing, the investment would create mortgages for 50,000 homes.

For the purposes of this example we will use the following assumption to project the financial opportunity of these loans:

- Net profit of a $70,000 CML loan is $1,090 (this is from previous studies), and with a 1.0% premium on the additional $80,000 the value of a $150,000 mortgage is $1,890.

The summary result therefore is:

A $4 billion dollar investment would result in:

26,666 homes x $1,890 = <u>$50,400,000</u>

The actual impact of these mortgages, of course, is geometric when all aspects of the home purchase are considered. The effect on jobs that would be created in the manufacturing of appliances, windows, wall and floor covering, etc. have been measured and would become a component of the final plan.

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Maxine Waters

Member of Congress • 35th District • California

Date: 1/12/99

Pages to follow: 6

To: Gene Sperling

Fax to: ( ) 456-2878

Telephone: ( )

From: Donna Crews

☒ DC ☐ LA

Message: complete package to be delivered via FedEx tom morning.

MAXINE WATERS
MEMBER OF CONGRESS
35TH DISTRICT CALIFORNIA

COMMITTEES:
BANKING AND FINANCIAL SERVICES
JUDICIARY

Congress of the United States
House of Representatives
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January 12, 1999

Mr. Gene Sperling
Assistant to the President
for Economic Policy
The White House
Second Floor West Wing
Washington, D.C. 20502

Dear Mr. Sperling:

Attached please find copies of two capital formation proposals. I have been working with key financial experts around the country on the development of these ideas for the past year. I have had conversations with Secretary Rubin, Chairman Greenspan and others about theses ideas. Simply put, these proposals recognize the desperate need for capital in our urban and rural areas. It is impossible to develop ownership and jobs without the availability of substantial capital.

These proposals are not proposals that envision an expanded Small Business Administration, SBIC, CDFI of any other government programs. These proposals are directed to the private sector. Our banks made tremendous commitments to invest substantial amounts of capital in these areas when their mergers were granted. Our financial institutions also have a need to comply with the Community Reinvestment Act. These proposals would satisfy both of these concerns.

These proposals envision a structure of highly competent managers with strong financial backgrounds to identify the correct businesses and individuals in which to invest -- businesses and individuals who can guarantee a return on the investment, have the ideas, competency, and where with all to deliver goods and services and make a profit. The financial managers of these plans know how to identify them and make an assessment of these issues.

I am hopeful that President Clinton's message on January 15, 1999 to the Wall Street Project and in his State of the Union message will include remarks that he is working with me, the new Chair of the Congressional Black Caucus and the Congressional Black Caucus as a whole to help bring together CEOs of our financial community with the stakeholders to implement the capital formation plan that will create significant opportunities in the city.

Beyond these two events, I look forward to working with you on an event to bring all concerned parties together at the White House to further discuss the projects. Thank you for your attention.

Sincerely,

Maxine Waters

Maxine Waters
Member of Congress

Invest in America

NATIONAL MONETARY FUND

This summary is intended to provide an overview of our concept for creating a national platform to profitably expand the amount of investment capital provided to targeted sectors of our national economy. These sectors generally include small businesses, urban zones and low to moderate-income communities. The National Monetary Fund ("NMF") will provide a vehicle for addressing the two fundamental barriers inhibiting the flow of capital to these sectors; (i) the absence of a widely practiced framework for integrating the requisite discipline of professional investment standards with broadly defined economic development and community investment ("EDC") objectives within the larger definition of economically targeted investments ("ETI"), and (ii) the underdeveloped network of skilled financial intermediaries seeking to serve this marketplace.

The NMF concept reflects a "fund of funds" approach to providing such capital. The NMF would be funded by member institutions seeking to meet such investment objectives and would screen, select, fund and monitor the performance of the intermediaries it supports. NMF will provide a needed vehicle to expand the landscape of qualified opportunities to deploy such capital at a time when institutions are having difficulty meeting the enormous investment commitments which have been made. It will be the first such vehicle to be national in scope and also meet the objectives of the various regulatory institutions.

Financial institutions subject to the Community Reinvestment Act guidelines ("CRA" or the "ACT") are in a period of transition from "lending" and "services", to include "investing" under the Act. The formation of limited partnerships with skilled intermediaries to manage the capital provided by the institutions has been endorsed by the OCC, supported by the Federal Reserve and has attracted the support of various community groups including the Greenlining Coalition, local chambers of commerce, the NAACP and others.

The most significant development under the emerging guidelines is the inclusion of equity or risk capital distributed to targeted sectors by financial intermediaries specializing in these markets. This development is analogous to the birth of the venture capital industry which was greatly needed to bring specialized insight to the process of managing the risk of launching new technology and nurturing young companies from inception to maturity. Over the past three decades, that industry has become a pillar of the capital formation process and has provided substantial economic impact.

Those few intermediaries which have attracted capital to serve the EDC sector of the ETI market represent the beginning of a greatly needed infrastructure of professionals that can bring talent and energy to the sector under the same incentive structures that drove the early venture industry participants. Eventually, specialization, formulas for success and leaders will emerge.

The effect of these intermediaries is to provide investment flexibility and foster entrepreneurial drive which cannot be obtained under SSBICs, captive community development banks or other traditional vehicles, but which is essential to addressing the capital needs of certain targeted markets These investments may be structured as debt

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equity or other instruments, which meet the needs of a given transaction and position the capital for appropriate returns.

The focus of such funds shall continue to be providing debt and equity growth capital to promising emerging growth and lower middle market companies with the potential to become sizable, profitable entities and significantly impact targeted urban or geographic areas. General characteristics also include substantial operating presence in low to moderate-income areas and significant ownership by women and minorities.

In addition to direct financing support, the intermediaries also seek to provide value-added management and technical assistance to support the achievement of growth and profitability objectives by portfolio companies.

The cornerstone of our concept is twofold; (i) targeted investments must meet professional standards of risk/opportunity assessment, returns, management capability and business development, and (ii) that emerging growth enterprises with sustainable competitive advantages offer the most promising opportunity to create jobs and provide meaningful, long term economic development impact. The collective experience of the firms the fund will select will encompass expertise in finance, operations, investments, acquisitions, strategic consulting, sales, marketing and real estate. This will bring seasoned judgment to bear upon these endeavors.

Some transactions in this arena fall outside the expertise of most commercial banks, insurance companies, etc., and cannot be effectively sourced, structured, monitored, developed and exited through internal channels. While the firms will work with our partners, their skills are typically not widely present throughout such institutions. Targeted investments require equity, tailored financing and operating skills, which are rarely available in traditional bank or insurance company channels. The skills, contacts and community presence of the selected firms will enable NMF to source and structure transactions which banks cannot process, but which represent the very growth opportunity/risk profile which accompanies quality investment opportunities to impact targeted areas.

Research conducted by the Small Business Development Association of America indicates that the success rate of businesses backed by professionally managed funds has been more than seven times higher than that of those not receiving adequate capitalization and management assistance. Selected studies indicate such businesses account for two-thirds of job creation nationwide.

It is interesting to note that California banks alone have pledged in excess of $500 billion to meet CRA objectives over the long term, principally targeted for housing, traditional loans, small business, services and supply agreements. It will be difficult to achieve such goals through traditional vehicles in the context of the size, limited growth and competitive dynamics of the targeted marketplace. NMF seeks to expand the landscape of qualified opportunities to fulfill these objectives. The skills, innovation and creativity of the current firms and the bridges they are successfully building with organizations in targeted communities constitute an initial platform for successfully expanding such investments to promising enterprises to create meaningful community and economic development impact

DOMESTIC MONETARY FUND EXECUTIVE SUMMARY

Concept

The Domestic Monetary Fund (DMF) is a structured pool of capital assembled from investors interested in providing needed capital to the ever-increasing, median/middle class, minority market, for a profit.

The concept of the DMF is to mirror the International Monetary Fund's (IMF) founding principle of creating a cooperative institution that financial companies such as banks and pension funds can voluntarily join. This institution will allow these companies to form a stable system of capital so that the minority community's median (average wage earner – see Note 1) and middle income consumers can sustain and expand businesses, real estate investments and lending services smoothly and without delay or burdensome regulations.

Like the IMF, the DMF members will have no effective authority over the DMF's economic policies.

Note 1: The median income is the middle income of all area households with two or more members.

Genesis

The quickening pace of the consolidations of financial institutions is narrowing the control of products, services and available capital to the country's median/middle class, minority communities into the hands of fewer organizations. If one looks at the nation as a whole, you will see that high wealth, high poverty overlaps with the present, growing minority community Since many of these institutions have had difficulty providing these services in the past – a concern can be justified. However, instead of approaching this economic evolution as a problem, we are proposing the Domestic Monetary Fund as a timing opportunity.

Plan

After the capital is secured, the plan involves a process of funneling capital through "profitable products and programs" that will, at least initially, concentrate on those areas of service that will provide identified communities with the most social and economical impact (Exhibit A) The economic stimulus for immediate concentration will be

1) Business Creation & Expansion
2) Real Estate Development
3) Credit Administration (Lending)

Development Tasks

Several tasks must be accomplished to·

1) Establish the DMF organizational structure (Exhibit B)
2) Acquire the needed capital
3) Establish the program administration
4) Appoint a National Oversight Board
5) Design and implement an administrative program to evaluate profitable products that will create businesses, real estate development and provide lending

Demography

The attached maps indicate a concentration of high poverty in the Southwest and Southeast. The Minority Patterns map shows that there is a significant overlap of minorities in these same areas.

The metropolitan centers in these regions, however, also offer thriving economies primarily around high technology and service industries The prominent companies in these areas would be logical investors in the DMF and virtual automatic beneficiaries as well.

Conclusion

Minority businesses and political leaders realize that our communities are economically viable and that businesses are ready to start, real estate is ready to be developed and lending proceeds can be used as vehicles for work – while capital is often not available.

This fund will in effect serve as an extremely well capitalized "investment fund" where all of the investments will be made in the described, targeted communities. The key element of this fund is that all of the investments must return a "profit" back to the fund to ensure that it is not government-dependent and that it is self-sustaining.

Secretary of the Treasury Lawrence H. Summers
Congressional Black Caucus Annual Conference
September 17, 1999

Thank you. It's a pleasure to be here. I would like to thank Representatives James Clyburn and Maxine Waters, the current and former Chairs of the Congressional Black Caucus, as well as the entire CBC. The Administration very much values its strong relationship with the CBC and looks forward to continuing to work closely with all of you, as we have done in the past. I also want to extend special thanks to Representative Rangel, who has been a key partner with us on national economic issues, including Empowerment Zones, and our New Markets Initiative.

We are gathered at a time of tremendous strength in the U.S. economy. The combination of sound policy and private ingenuity has led to low inflation, low unemployment, over 19 million new jobs, and incomes beginning to rise across the spectrum. Home ownership is at a record high – and should continue to grow, thanks in part to the efforts of Rep. Eva Clayton and the CBC to help one million African-Americans become new homeowners over the next five years.

Even in this era of prosperity, as you know well, some communities are still being left behind. That is why the topic of our gathering today is so important. It is my belief that there is enormous economic potential in America's inner cities and rural areas – potential that if realized can benefit the residents of these communities, the businesses that serve these markets, and all of us.

Although there are real barriers that have limited business growth in these markets, there are strategies that can work. Let me just highlight three approaches: first, encouraging financial institutions to expand access to capital through the Community Reinvestment Act or "CRA"; second, building local, specialized financial institutions through the Community Development Financial Institutions Fund or CDFI; and, third, encouraging equity investment for business growth through the New Markets Initiative.

I. CRA

CRA is working. In 1998 alone, banks and thrifts made over $33.1 billion in small business loans in low and moderate-income areas, and over $16 billion in other community development loans. Home mortgage lending to minorities and low income borrowers is on the rise. CRA has and will continue to be a top priority for President Clinton, Vice President Gore and this Administration. As we work to modernize our financial system, we need to make sure that CRA keeps working for our communities.

The House bill does just that. It requires that federally insured depository institutions and their holding companies have and maintain an adequate record on CRA as a condition for engaging in newly authorized financial activities. By contrast, the Senate bill would seriously weaken CRA. It fails to include this "have and maintain" requirement; it exempts small banks from CRA; and it provides banks and thrifts with a "safe harbor" from CRA. We strongly urge the conferees to adopt the House approach.

II. CDFI

The Treasury Department's CDFI Fund has provided over $120 million to local, specialized financial institutions whose primary mission is to reach underserved customers. CDFIs are often market pioneers, the "R&D" if you will, that prove the viability of lending to new customers. Earlier this year, I visited the Delaware Valley Reinvestment Fund in Philadelphia where I saw first-hand how creative financing could help a small company grow and create jobs in the community. I visited a telecommunications services firm that, because of Delaware Valley's investment, is growing rapidly, providing quality services, and creating jobs for low-income workers in Philadelphia. These are jobs with a living wage, a career-ladder, and a future.

We are asking that Congress expand CDFI from its FY 1999 level of $95 million to the full $125 million requested by President Clinton, to fund the PRIME Act for micro-enterprise development, and to re-authorize the CDFI Fund so that it can continue its important work.

III. New Markets

But we can do more. And we should. In early July, the President made an historic trip to highlight the considerable need, but also the market opportunities, in America's emerging markets. The President's New Markets Initiative of tax incentives and loan guarantees will help to bring more private sector capital and expertise to these communities. You will hear more about this initiative from my colleague Gene Sperling. I want to focus on one component now:

The New Markets Tax Credit is a 25% tax credit to investors who provide equity to any of a range of community development entities, including CDFIs. In aggregate, the New Markets credit would spur $6 billion in equity investments over the next 5 years. The tax credit has been introduced by Representative Rangel, and Senators Rockefeller and Robb, and other co-sponsors.

This summer, I visited Harlem, USA, a major retail and entertainment center under construction, backed by the Empowerment Zone, Chase Manhattan Bank as part of its CRA-related activities, and other investors. Within a mile of this shopping center is a population larger than that of Cincinnati, but there is no shopping mall in Harlem or – until recently – a major supermarket.

The Harlem, USA project is 80% leased and its major corporate tenants – never before represented in Harlem – will pay rents more than twice as high as rents in the area before the mall was built. The project is expected to create over 600 jobs. And the public sector investment in the project will be paid back in nine months through grow in tax receipts.

In short, Harlem right now appears to be a real emerging market, in the sense that capital is trying to get in rather than out. With the New Markets Tax Credit, we believe that we can significantly increase the flow of private sector capital to Harlem and other underserved communities – urban and rural -- around the country.

Although access to capital is critical, businesses also need access to information, sales and joint venturing opportunities, and sound business advice. For that reason, under Vice President Gore's leadership, in June 1998, we and SBA launched BusinessLINC -- a private-sector-led effort to encourage business-to-business partnerships in economically distressed areas.

I recently had the opportunity to join President Clinton and Vice President Gore in announcing that the Business Roundtable would chair a National BusinessLINC Coalition, to be led by Texaco CEO Peter Bijur. We also announced the formation of six local coalitions around the country. We visited an African-American-owned mop manufacturer in the Marshall Heights neighborhood in the District of Columbia. The company, Powell Manufacturing, through a local BusinessLINC coalition, was matched with Giant Food to provide technical assistance, and as a result, improved its efficiency, expanded its business by 45%, more than tripled the number of employees – and provided Giant with a quality, low cost product. A "win-win" relationship.

That is what BusinessLINC and the New Markets Initiative are all about. At this time of great economic opportunity, now is the time to enact the New Markets Initiative, bolster CDFI, and ensure that CRA remains vibrant in the 21st century.

Thank you.

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II. CDFI

The Treasury Department's CDFI Fund has provided over $120 million to local, specialized financial institutions whose primary mission is to reach underserved customers. CDFIs are often market pioneers, the "R&D" if you will, that prove the viability of lending to new customers. Earlier this year, I visited the Delaware Valley Reinvestment Fund in Philadelphia where I saw first-hand how creative financing could help a small company grow and create jobs in the community. I visited a telecommunications services firm that, because of Delaware Valley's investment, is growing rapidly, providing quality services, and creating jobs for low-income workers in Philadelphia. These are jobs with a living wage, a career-ladder, and a future.

We are asking that Congress expand CDFI from its FY 1999 level of $95 million to the full $125 million requested by President Clinton, to fund the PRIME Act for micro-enterprise development, and to re-authorize the CDFI Fund so that it can continue its important work.

III. New Markets

But we can do more. And we should. In early July, the President made an historic trip to highlight the considerable need, but also the market opportunities, in America's emerging markets. The President's New Markets Initiative of tax incentives and loan guarantees will help to bring more private sector capital and expertise to these communities. You will hear more about this initiative from my colleague Gene Sperling. I want to focus on one component now:

The New Markets Tax Credit is a 25% tax credit to investors who provide equity to any of a range of community development entities, including CDFIs. In aggregate, the New Markets credit would spur $6 billion in equity investments over the next 5 years. The tax credit has been introduced by Representative Rangel, and Senators Rockefeller and Robb, and other co-sponsors.

This summer, I visited Harlem, USA, a major retail and entertainment center under construction, backed by the Empowerment Zone, Chase Manhattan Bank as part of its CRA-related activities, and other investors. Within a mile of this shopping center is a population larger than that of Cincinnati, but there is no shopping mall in Harlem or – until recently – a major supermarket.

The Harlem, USA project is 80% leased and its major corporate tenants – never before represented in Harlem – will pay rents more than twice as high as rents in the area before the mall was built. The project is expected to create over 600 jobs. And the public sector investment in the project will be paid back in nine months through grow in tax receipts.

In short, Harlem right now appears to be a real emerging market, in the sense that capital is trying to get in rather than out. With the New Markets Tax Credit, we believe that we can significantly increase the flow of private sector capital to Harlem and other underserved communities – urban and rural -- around the country.

Although access to capital is critical, businesses also need access to information, sales and joint venturing opportunities, and sound business advice. For that reason, under Vice President Gore's leadership, in June 1998, we and SBA launched BusinessLINC -- a private-sector-led effort to encourage business-to-business partnerships in economically distressed areas.

I recently had the opportunity to join President Clinton and Vice President Gore in announcing that the Business Roundtable would chair a National BusinessLINC Coalition, to be led by Texaco CEO Peter Bijur. We also announced the formation of six local coalitions around the country. We visited an African-American-owned mop manufacturer in the Marshall Heights neighborhood in the District of Columbia. The company, Powell Manufacturing, through a local BusinessLINC coalition, was matched with Giant Food to provide technical assistance, and as a result, improved its efficiency, expanded its business by 45%, more than tripled the number of employees – and provided Giant with a quality, low cost product. A "win-win" relationship.

That is what BusinessLINC and the New Markets Initiative are all about. At this time of great economic opportunity, now is the time to enact the New Markets Initiative, bolster CDFI, and ensure that CRA remains vibrant in the 21st century.

Thank you.

Maxine Green
Waters

Melissa G. Green
09/13/99 10:45:21 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP
cc:
Subject: Maxine Waters event

Is Friday September 17, 1999 from 9:00am-12:00pm

— one of pioneering leaders in the enterprise community development

Panel will include, Maxine Waters, Gene Sperling, Larry Summers, J. Dobbins, CEO Resolution Resource; Paul Taylor, CEO P.T. Associates; Danny Bagwell, CEO Brotherhood Crusade. – may or may not be able

Maxine will open with a statement then Summers, then the 3 CEOs and then Gene./ Then there will be a discussion between the panelists lead by Maxine and then audience Q & As.

Audience is max 150 people and is comprised of African American professionals mainly from the business world and lawyers. There will a handful of graduate students studying economic development and/or business in the surrounding area.

The Issue Forum title, is "Capital Formation: Economic Development and the New Markets initiative."

The packet that Maxine's office has sent out includes: Gene and Maris' press briefing from 7/2/99; explanation of legislative pieces and a bunch of news articles.

Gene will be seated on a dais with the other panelists and will speak from his seat. Length of his remarks to be decided.

Lisa please talk with Barr about what Summers is saying and coordinate. Also didn't Maxine have some Youth program that she lobbied really hard for that Gene should reference.

15 minutes
9:30, 10:30

specifics of how it works
of each legislative proposal
nuts and bolts / what types of investors
participants and recipients

LUCILLE R. DOBBINS

Lucille R. Dobbins is President of Resolution Resources, a multi-faceted consulting firm specializing in the areas of real estate development, finance, operations and revenue enhancement. Ms. Dobbins, a veteran of finance and commercial development for the past twenty years, has provided a full range of financial services to local governments, community organizations, commercial banks, thrift institutions and federal governmental agencies such as the Resolution Trust Corporation.

From 1984 to 1989, Ms. Dobbins was First Deputy Commissioner (1984-1986) of the Planning Department and subsequently Chief Financial Officer (1986-1989) for the City of Chicago under Mayors Harold Washington and Eugene Sawyer.

Ms. Dobbins, as principle advisor to the Mayor on all financial issues, was responsible for the coordination of financial and capital planning between the City of Chicago and other coterminus jurisdictions, debt management and the integration of all key financial functions within city government.

In addition to her financial responsibilities, Ms. Dobbins supervised all major commercial real estate development projects in the Central Business District and structured the first Tax Increment Financing ("TIF") for the City of Chicago among other creative financing techniques.

From 1974 to 1984, Ms. Dobbins was a Vice President in several commercial banking divisions of the Harris Trust and Savings Bank. In addition to providing multi-million dollar loan packages, international financing and multi-currency loans to a variety of corporate clients, Ms. Dobbins also structured numerous real estate financings nationwide.

Ms. Dobbins received her Illinois Certified Public Accounting certificate in May 1970, and a B.S. degree in Accounting in 1968 from Roosevelt University.

Ms. Dobbins serves on a variety of boards including Citizenship Education Fund, Operation PUSH, and The Teachers Academy of Mathematics and Science and is a member of several professional organizations including the National Association of Black Accountants, Black Career Women, Inc. and Lamda Alpha International.

Biography of
PAUL R. TAYLOR JR.

Managing Member, SRP Development Management

Mr. Taylor is the managing member of SRP Development, a national development company that designs development solutions for rural and urban areas of the country. For over twenty years the key principals of SRP Development have performed and perfected the process of delivering economic resources and construction development to serve the needs of the underserved and economically disadvantaged communities across the country, with a special emphasis on Faith-based community initiatives.

SRP has had the opportunity to provide financial and construction services to underserved communities through single-family housing development that provides the opportunity for single mothers and credit-impaired families to rent or own quality housing in stable communities. Through the creation of their Community Centered Banking Program® they have been able to bring new financial resources to communities, enabling banks to provide mortgage financing for the credit impaired, or for families who do not have the needed down-payment or who do not fit traditional qualification ratio guidelines.

Once these financial mechanisms are installed in a community, SRP Development serves commercial property owners so that they may develop commercial real estate into needed facilities for the underserved market. Additionally, SRP provides construction management services and financial assistance to qualified projects to develop office buildings, commercial strip centers, and medical centers. Multi-level senior housing for independent living or assisted-living facilities for those needing special services are also developed by SRP for various clients across the country. SRP also provides construction and planning services to owners of residential property so they may begin the development of raw land into new housing subdivisions.

Most recently, Mr. Taylor's efforts have generated a commitment from the Congressional Black Caucus Foundation to assist in publishing a series of monthly newsletters that will focus on issues critical to the African American community.

Highlights of SRP and SRP Affiliated Companies:

- Over 1800 families housed through the Community Mortgage Loan© Program
- Over $100 million in mortgage financing in place
- Over $100 million in church financing for commercial development through Church Lending Guidelines of Community Centered Banking (CCB) Program
- Over 12,000 prequalified individuals enrolled in homeownership counseling program, which represents $672 million dollars in potential mortgage commitments
- Successfully completed one of the first syndicated tax credit deals where the participants were a bank, the Federal government, and a private developer

PHOTOCOPY PRESERVATION

Melissa G. Green
09/16/99 09:22:53 AM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP

cc:
Subject: Maxine

You should call Ochime in Maxine's office to make contact and get a better feel for this event. 225 2201. Also we need to assess somehow if it makes sense for Gene to stay for the entire time (3 hours) or if we should ask then to rerrange and have Gene go after Summers. Lisa you may want to check in with Broderick on this re; GS personal politics.

225-7854

9AM-12 @
2226 Rayburn
seated

Lisa Green
09/16/99 05:47:04 PM

Record Type: Record

To: Melissa G. Green/OPD/EOP

cc:
Subject: Waters Briefing Materials

Waters.tps.docWaters Briefing.do

Here are materials for Gene's briefing for the Waters Event tomorrow. I am still waiting to get a copy of Summers remarks and will bring them to you as soon as I get them.

In the mean time, I will bring over the attachments which include the following:

Biographies on Participants Lucille Dobbins and Paul Taylor
Copy of Proposal submitted to President Clinton by Dobbins and Taylor
Background on Talent Watts (Gene always wants this for new markets)
Budget Impact Paper
Copy of Press Release on Jefferson's bill for SSBICs
Copy of Most Recent Paper on Legislation (which I will have copies of if he wants to distribute)
Copy of Chart on Proposed New Markets Equity Investment Programs

Michael
5-7401

Sarah Rosen
01/04/99 09:01:02 AM

Record Type: Record

To: Melissa G. Green/OPD/EOP, Peter A. Weissman/OPD/EOP
cc:
Subject: Background for Gene's call to Rep.Waters

Rep. Maxine Waters has been promoting the work of a group called the International Monetary Fund.

It is headed by Joe Debro, President of the Black Contractors Development Fund of Oakland, CA, and Frank Green, General Partner of New Vista Capital, in Palo Alto, CA.

The concept is similar to that now being proposed by Jackson's advisors -- a fund of funds for investment in minority/underserved businesses.

Last May, Barr and Kellog had a couple conference calls with the group and met with them. Their impression was that they were more sophisticated and better pluged into the minority venture capital world than were the folks around Jackson.

They mentioned the group to Emil who, we believe, played matchmaker either directly or through Saunders -- introducing them to some of Jackson's crowd. Nothing apparently came of that.

The International Monetary Fund would be eligible to participate in the initiatives we are proposing under the same terms and conditions as any of the other groups which we have heard of -- i.e., they could apply to SBA for licensing under the existing programs today and could apply to participate in new programs, if they met the application criteria. If they are focused only on minority firms, not underserved areas, they might not match these program requirements exactly and might need to make adjustments in order to participate.

If we find more info, will forward./

Equity
Capital Formation
Hard Core Cash Dollars
Mergers
Finance – never – dealt with
return money
CRA Count w/ Capital Pools
Natl CRA – merger
CDFI System people don't apply
SBA – more new ways to access
We are failing: Time + Energy! Be unique CBOs to Death of Capital Formation – Capital Formation
National Bank – DOA – come up with
Pool of 2nd Mtg

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

May 6, 1998

MEMORANDUM FOR MICHAEL FROMAN

FROM: Michael S. Barr MB
Clifton G. Kellogg CGK

SUBJECT: Proposal for a National Monetary Fund

Based on written materials and phone conversations with the organizers of the National Monetary Fund (NMF), this memo summarizes our understanding of the NMF, its strengths and weaknesses, and some possible next steps for Treasury's involvement. NMF has not yet developed financial projections, an implementation plan, or a management structure.

On the whole, NMF appears to be a suitable and timely concept for a national financial fund that would take advantage of the increasing interest in community development finance and the favorable funding possibilities due to banks' recent profitability. At the same time, the lack of identified management is a critical weakness, and the lack of a defined business plan means that NMF's viability cannot yet be evaluated fairly. Finally, NMF's mission calls for the design of serious and credible business services (as NMF itself recognizes), an exercise not yet undertaken.

<u>NMF's Mission</u>
NMF would be a fund that banks (or other financial institutions, corporations, and foundations) would invest in, that itself would invest in other financial institutions, ranging from minority venture capital funds, to CDFIs, to other special purpose funds designed to benefit low- and moderate-income areas and individuals. This structure is familiar to the private sector venture capital industry, and is sometimes called a "fund of funds." In addition, NMF plans to offer business assistance services, as yet undefined, to further its economic development mission.

The community development finance field would benefit from a professionally managed and skilled national private sector institution with this mission, as it currently lacks any such national private sector player. From the government side, Treasury's CDFI Fund could serve as an important co-investor with the NMF; as currently structured the CDFI Fund could not itself receive private sector investments nor does it aspire to financial self-sustainability. The CDFI Fund, by investing in CDFIs, is already developing market information, in effect helping the private sector determine the most promising CDFIs for investment. The NMF could spur co-investment or matches. Private foundations such as Ford, MacArthur, and Mott operate nationally, and given the lack of other support institutions, their activities weakly position the foundations in this role. As an analog, in the field of low-income housing development, both the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation provide technical advice and some fundraising assistance to their national network of local chapters.

What are the pros and cons of the NMF's national scale? The NMF's national scale would bring increasing attention to the opportunities in this field, would allow for cross-learning among investees, and would provide a large market area in which to find investments. However, the national scale would also stretch management and dilute the possibility of creating visible impact in any single market.

The prospect for finding NMF investors is enhanced by the financial industry's recent profitability, however investors would need to be persuaded (1) that NMF could marshal superior underwriting skills versus the bank/investor's own staff, (2) that the NMF "food chain" is not economically inefficient versus direct bank/investor processes, and (3) that the investors/banks would receive the same or greater public recognition and regulatory recognition for efforts undertaken through NMF as compared with direct investments.

NMF has not stated a total funding need. For comparison, a $200 million national "fund of funds" that focuses exclusively on minority venture capital has recently closed on its funding. NMF would probably need to open with at least equivalent levels of funding.

Next Steps

Treasury would need to decide whether it should become involved in this effort. Secretary Rubin could call Representative Waters to give her his opinion of the effort, and offer to have staff provide informal advice as the idea progresses. We could also provide the NMF organizers with publicly available lists of CDFI and BEA winners, and CDFI certified institutions, in order to describe the Fund's distribution network.

We would think it inadvisable for the Secretary to in any way "endorse" the NMF or to encourage particular financial institutions to invest in it. The Secretary could, however, in other speeches that touch on the CDFI industry, cite the generic need for similar types of organizations that would serve as market intermediaries in the development finance industry.

We could also arrange an informal roundtable discussion with the NMF organizers, the CDFI Fund and others in the community development field to share experiences and the sense of ambition and vision that the NMF organizers laudably evince.

We could also invite the organizers who have mentoring experience or interest to participate in the regional Business Mentoring Initiative meetings that are planned for this summer. The design of the business services is an important gap in the NMF plan, and we expect some productive exchanges on this point.

THE NATIONAL MONETARY FUND

The National Monetary Fund

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THE NATIONAL MONETARY FUND

MISSION STATEMENT

- TO EXPAND ECONOMIC OPPORTUNITIES FOR SMALL BUSINESSES AND RESIDENTS OF LOW AND MODERATE-INCOME URBAN AND RURAL COMMUNITIES IN THE UNITED STATES. THE NMF WILL PROVIDE CAPITAL AND SERVICES ESSENTIAL TO ECONOMIC DEVELOPMENT IN TARGETED REGIONS.

THE NATIONAL MONETARY FUND
PURPOSE

- Economic development of undeserved urban centers and rural areas.
- Start-up and growth capital
- Management assistance
- Job creation
- Business and farm development
- Expand infrastructure of professionals providing capital and services.
- Support entrepreneurship and build competitive businesses enterprises within economic development objectives.

The National Monetary Fund

Objectives

- Develop new and innovative approaches to economic development
- Promote positive and visible role models of successful women and minority entrepreneurs
- Develop strategic business success models for small businesses
- Provide managerial and technical support for small businesses and minority and women-owned businesses

The National Monetary Fund

Monitoring requirements of loan and portfolio clients

- Mandatory periodic reporting
- Board, advisory board, or technical assistance team review
- Review of business plans
- CPA compiled, reviewed or audited financial statements
- Financial performance comparisons to industry standards.
- Contingent covenants to control poor performance.

POTENTIAL FUNDING OF THE NMF

LEADING US BANKS	CRA COMMITMENT ($BILLIONS)	BANK ASSETS ($BILLIONS)
BANK OF AMERICA	140	251
BANKERS TRUST	N/A	120
CITICORP	N/A	281
CHASE	18	336
J. P. MORGAN	N/A	222
FIRST CHICAGO	N/A	105
TOTALS		1,315

01/04/99 12:24 +++ NATL ECONOMIC CO ☑011

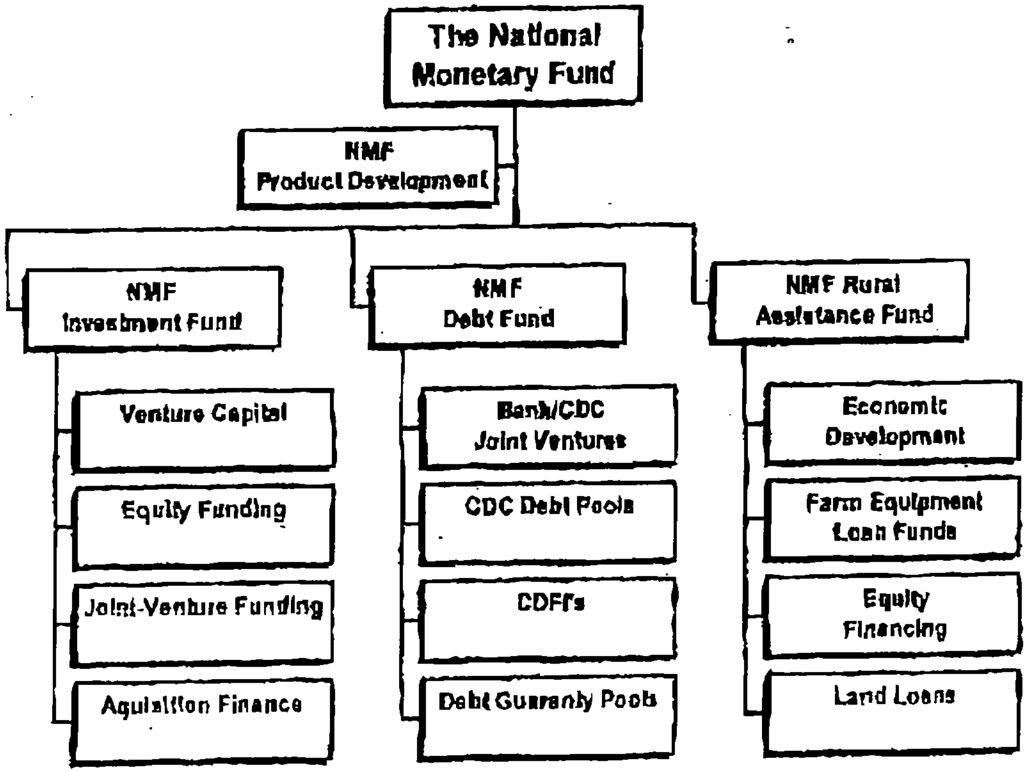
01/04/98 MON 10:04 FAX 202 622 5672 Barr Comm Dev Policy ☑011

MAR-24-98 TUE 10:29 AM HON. BENNIE G THOMPSON FAX NO. 202 225 5898 P. 09

Mar-09-98 10:27A

The National Monetary Fund

Organization Structure



The National Monetary Fund

Organizational and Operating Framework

- National Chairman
- National Headquarters with five Regional Offices
- Product Development Headquarters
- Use of leading intermediaries to include:
  - Urban and Rural Community Development Corporations
  - Community Development Banks
  - Venture Capital Funds
  - Community Development Financial Institutions
- Expand the infrastructure of Community Financing Organizations

THE NATIONAL MONETARY FUND

BENEFITS TO BANK CAPITAL SOURCES

- Participate in an impactful economic force in underserved urban and rural centers of the U.S.
- Support businesses which provide employment and training for targeted areas and specialty areas (i.e.,"Welfare to work")
- Access to economic development arena (fast growing segments of the economy) via appropriately skilled professionals.
- Enhanced CRA ratings
- Existing State of California tax credits and potential Federal income tax credits.
- Economic and social returns
- Expand base of business customers

THE NATIONAL MONETARY FUND

National Advisory Board - preliminary list

- Patrick Prout,
- Joseph Debro, President, Black Contractors Development Fund, Oakland, CA
- Len Canty, Chairman, NuCapital Access Group, Oakland, CA
- Frank Green, General Partner, New Vista Capital, Palo Alto, CA
- Cecil Adams, Financial and Banking Consultant, Oakland, CA
- Jean Wojtowicz, President, Cambridge Management Corp., Indianapolis, IN
- Gail Snowden, Group Executive, Community Banking Group, Bank Boston, Boston, MA
- Alex Mendoza, General Partner, Industrial Growth Venture Capital, San Francisco, CA
- Syd Beane, Western Regional Director, Center for Community Change
- Rural representation
- Michael Porter, Professor, Harvard Business School, Cambridge, MA
- Members of CRA Organization of the participating banks

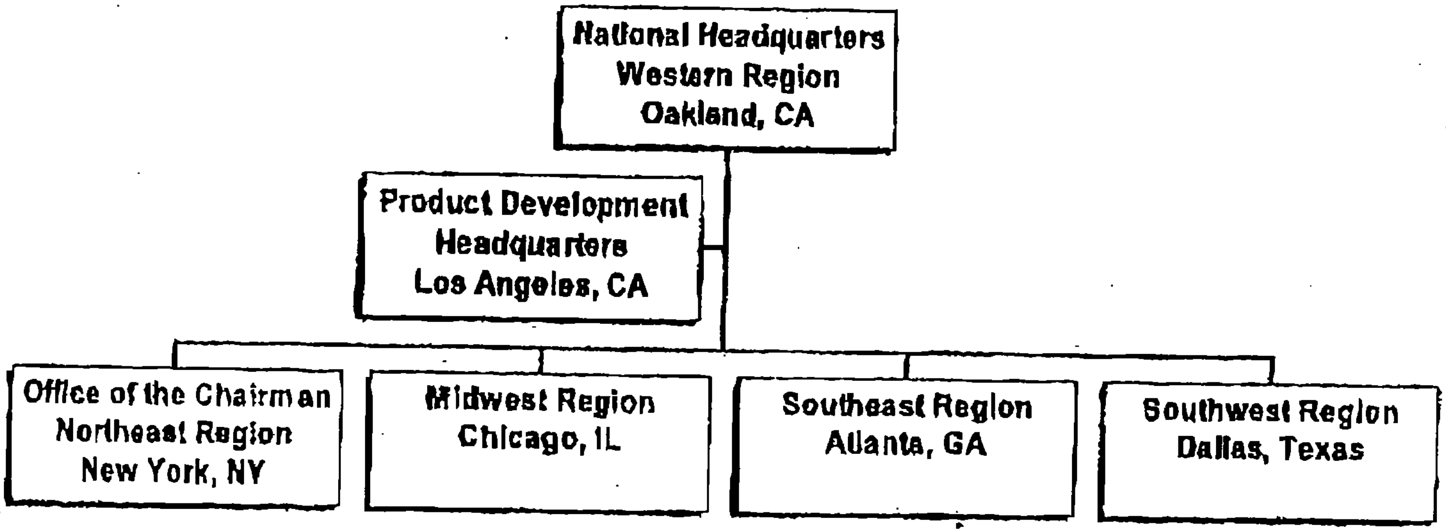
The National Monetary Fund

Geographic Location

- The proximity of regional NMF offices is is a key factor in adding value, assessing the regional market, and close monitoring of loans and investments. A national fund approach also protects the Fund against periodic regional economic downturns.
- New York will serve as the Office of the Chairman and the Northeast Regional Office.
- Oakland will serve as the national headquarters as our potential major sponsor is located in the Bay Area.
- The regional cities selected will support the recruitment of experienced management.

THE NATIONAL MONETARY FUND

Headquarters and Regional Offices



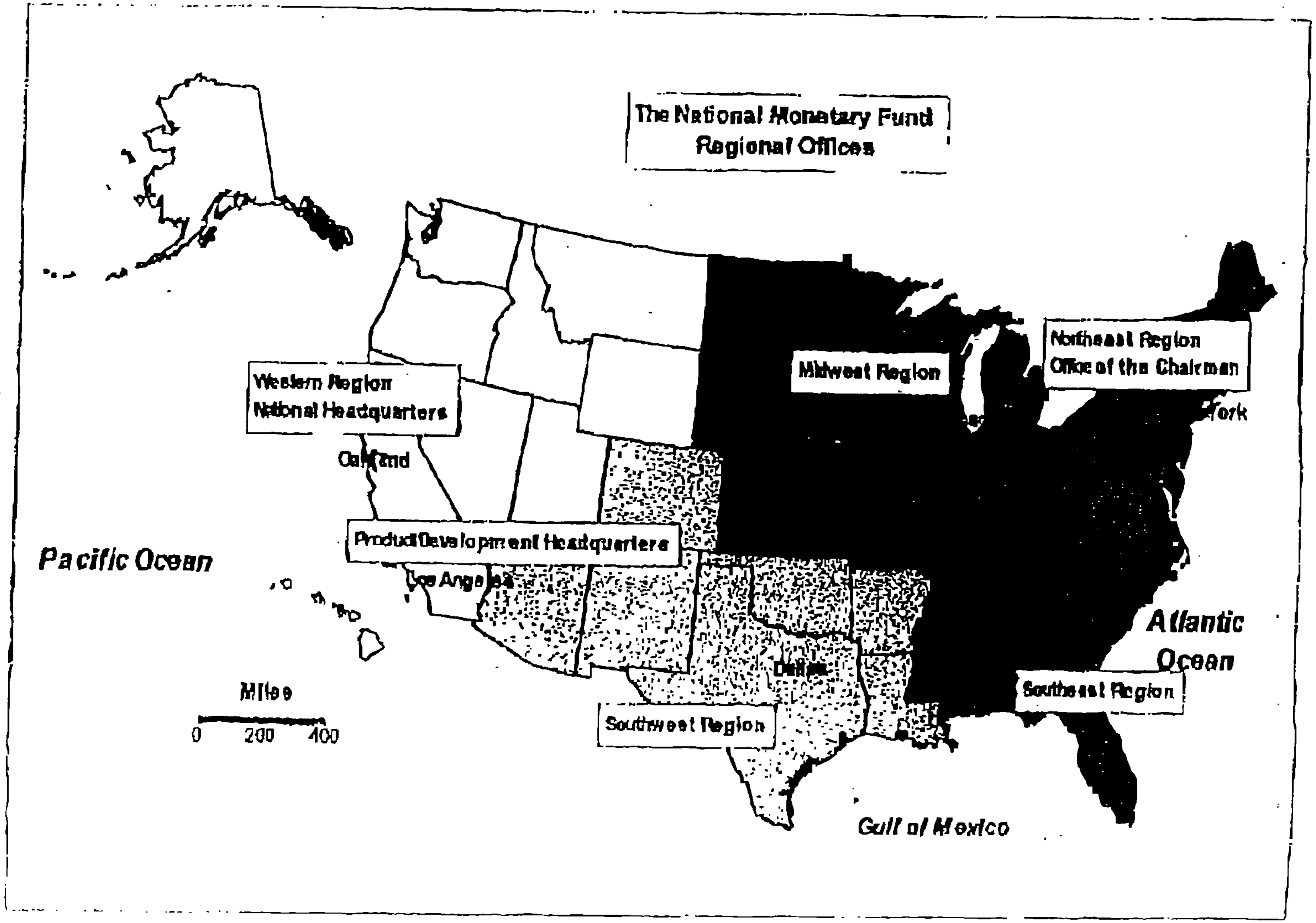
The National Monetary Fund

Next Steps

- Select sponsoring institutions
- Organize small working team
- Confirm Chairman / Advisory Board
- Attract participating entities
- Finalize organizational structure
- Adopt operating policies
- Launch operations
- Refine concept and framework

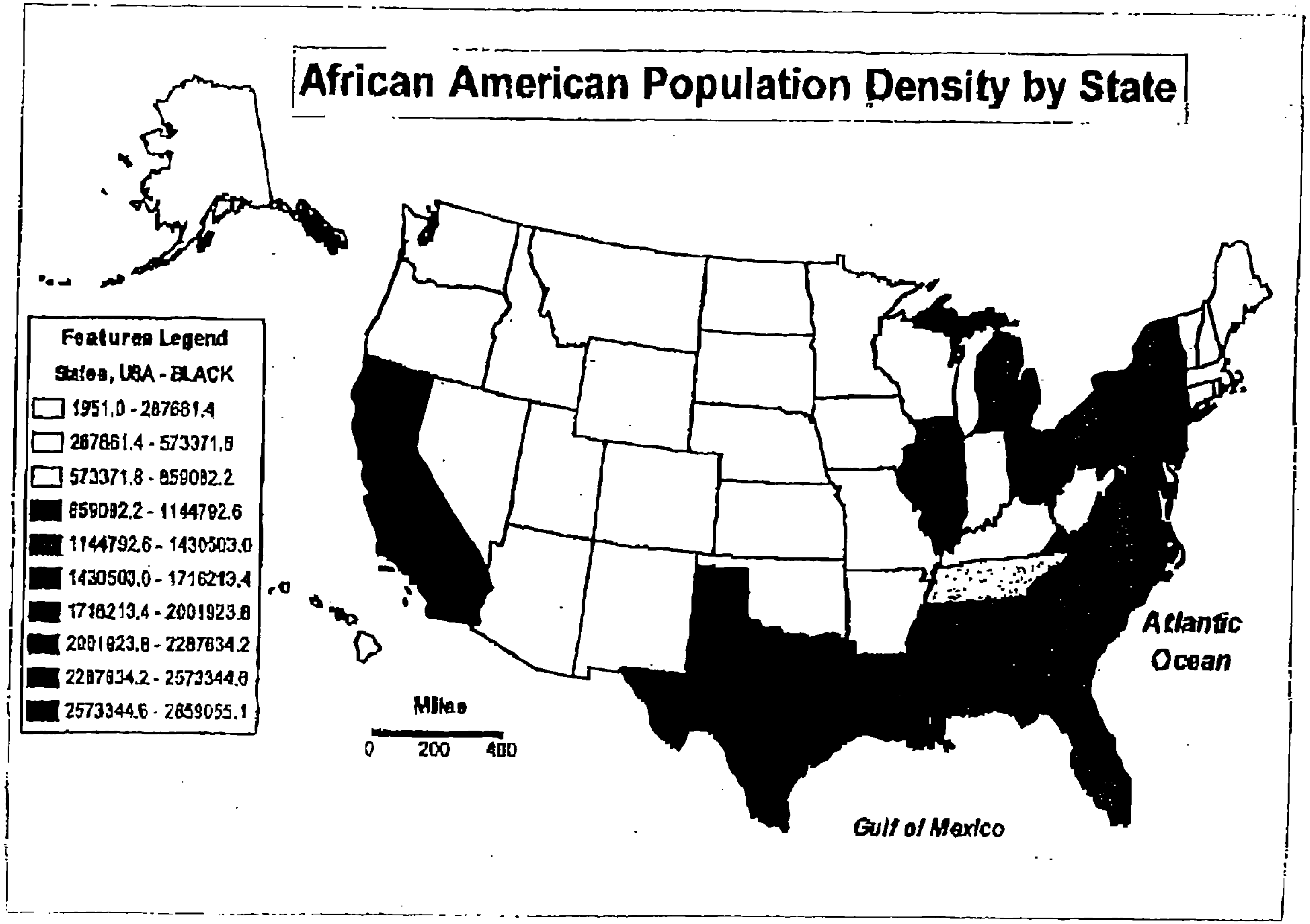
The National Monetary Fund

Regions, Regional Offices, Regional Headquarters, Office of the Chairman, Product Development Office



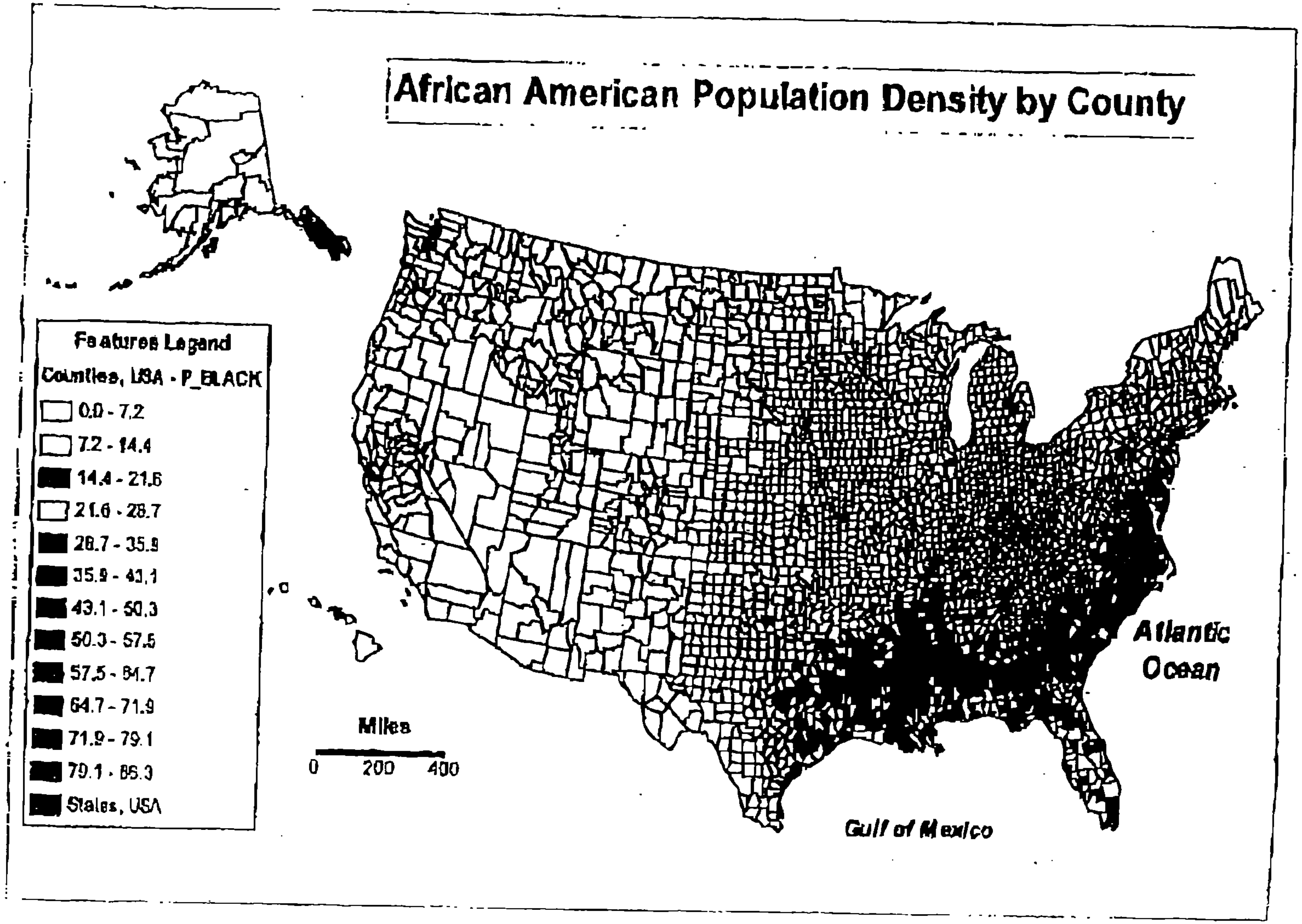
The National Monetary Fund

African American Population Density by State



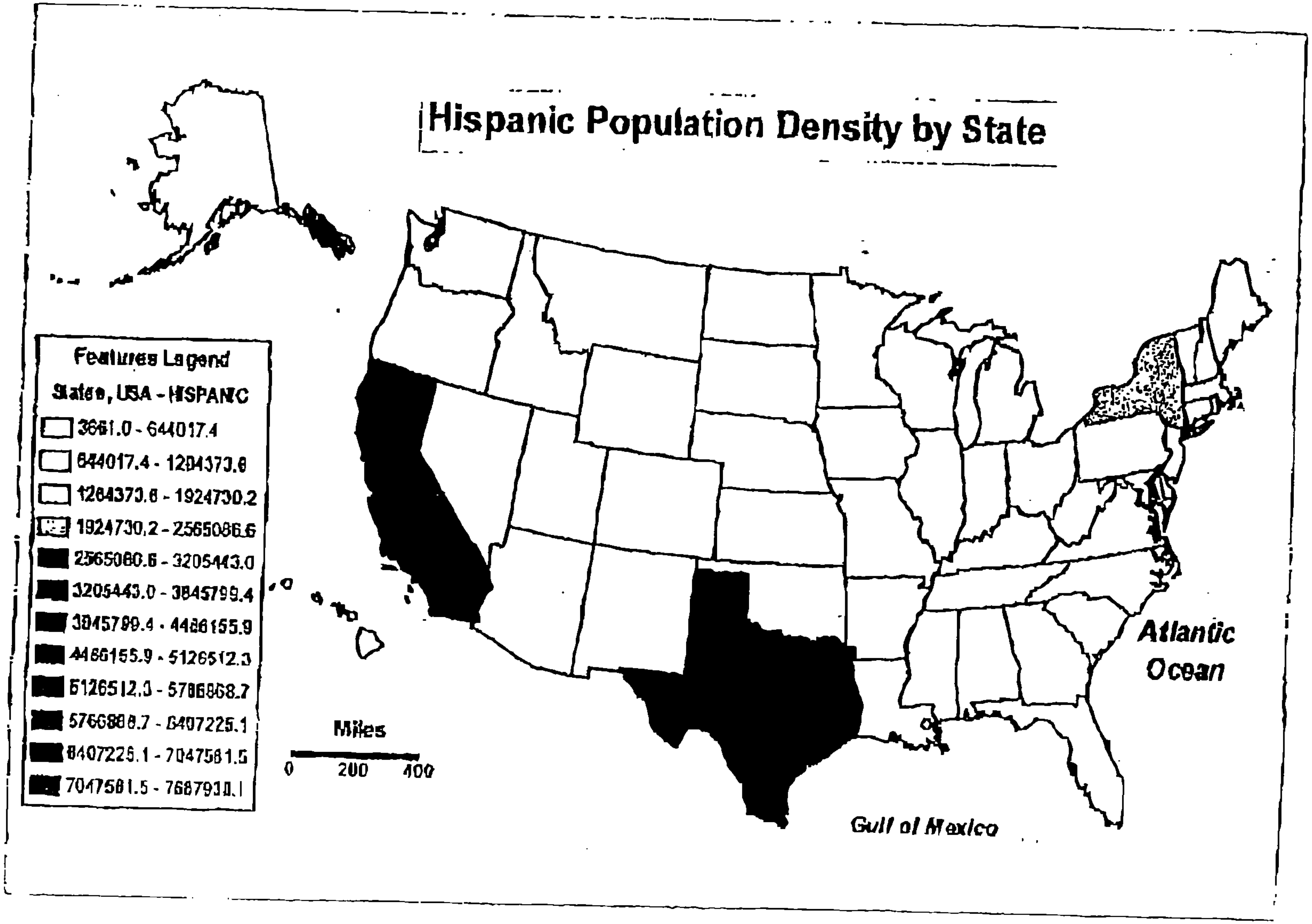
The National Monetary Fund

African American Population Density by County



The National Monetary Fund

Hispanic Population Density by State



The National Monetary Fund

Hispanic Population Density by County